

S B

1 4 9

A M E N D M E N T

OFFERED IN THE HOUSE
TO: HCS CSSB 149(L&C)

Page 24, after line 27:

Insert a new subsection to read:

"(d) Notwithstanding any other provision of law, a state bank may not purchase, establish, or operate a subsidiary that engages in the business of insurance or real estate brokerage. However, a subsidiary that is owned or operated by a state bank and that engages in the business of title insurance on or before January 1, 1993 as a subsidiary of that bank may continue to engage in that business as a subsidiary of that bank after January 1, 1993."

Banker Moran

1st Bank - State Chartered Bank

- NBA
- NBA
- Keybank



A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE PORTER

TO: HCS CSSB 149(L&C)

Page 24, after line 27:

Insert a new subsection to read

"(d) Notwithstanding any other provision of law, a state bank may not purchase, establish, or operate a subsidiary that engages in the business of insurance or real estate brokerage."

April 22, 1993

The Alaska State Association of Realtors® agrees with Section 47 as amended with the addition of subsection (d).

* Sec. 47. AS 06.05 is amended by adding a new section to read:

Sec. 06.05.272. BANK SUBSIDIARIES. (a) A state bank may purchase or establish, and operate, one or more subsidiaries engaged in any of the following activities, if the subsidiary has the necessary licenses and permits and the operation is not detrimental to the bank's business:

- (1) real property ownership, development, and leasing;
- (2) securities brokerage;
- (3) other activities authorized in regulations adopted under this section; or

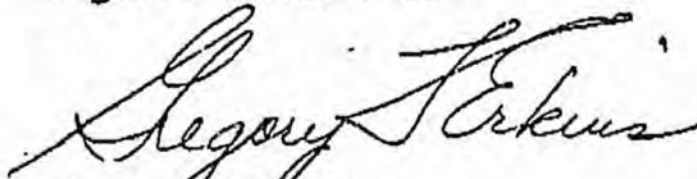
(4) other activities approved by the department.

(b) Under this section, a bank may invest in subsidiaries an amount equal to the lesser of 20 percent of its total assets or 50 percent of its total capital accounts. Loans to subsidiaries are considered investments subject to the limitations of this subsection.

(c) A subsidiary of a state bank is subject to examination by the department as part of the examination of the bank under AS 06.01.015.

(d) Notwithstanding any other provision of law, a state bank may not purchase, establish, or operate a subsidiary that engages in the business of insurance or real estate brokerage. This subsection does not apply to a state bank that owns or operates a subsidiary that engages in the business of title insurance on or before the effective date of this act, from engaging in that business

For the Alaska Association of Realtors®
Legislative Vice-Chair



Gregory T. Erkins

(7)

Date Referred: April 21, 1993

FURTHER REFERRALS:

RETURNED FROM RULES back to JUD

Date of Committee Action: 4-23-93

The JUDICIARY Committee considered:

CSSB 149(STA)

CS FOR SENATE BILL NO. 149(FIN)

REVISION OF BANKING CODE

"An Act revising the laws governing financial institutions and relating to trust companies, the Alaska Small Loans Act, and the Premium Financing Act; amending Alaska Rule of Criminal Procedure 17 and Alaska Rule of Civil Procedure 45(b); and providing for an effective date."

RECOMMENDATIONS:

be replaced with

HCS CSSB 149 (JUD)

the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) DC+ED (3-22-93)

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>Cliff Davidson</i>		<input checked="" type="checkbox"/>	
<i>[Signature]</i>		<i>Jeannette James</i>			<input checked="" type="checkbox"/>
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>Robert Porter</i>			<input checked="" type="checkbox"/>
<i>[Signature]</i>	<input checked="" type="checkbox"/>				

Robert Porter

CHAIRMAN'S SIGNATURE

Rep. Brian Porter, Chairman

House Judiciary Committee

Date: April 23, 1993
Place: Capitol Room 120

SB 173 Group Health Insurance for Small Employers
SCR 4 Request Change in Rule 82 Fees

Subject of Meeting: SB 76 Charitable Gaming
Restrictions; SB 149 Revision of Banking Code

Please Print Name	Representing	Business/Personal Mailing Address	Zip	(H) Phone	(W) Phone	Do you Want to Testify?	Which Subject/ Which Bill?
JAMIE PARSONS	AK STATE CHAMBER	217 - 2ND # 201	99801	7899261	586 2323	<input checked="" type="radio"/> Y <input type="radio"/> N	173
Jay Frank	State Farm Allstate	431 N. Franklin	99801		6-5777	<input checked="" type="radio"/> Y <input type="radio"/> N	SB 173
Ken Erickson	Sponsor @ Sen Pearce	Room 508 Cap	99801	4993		<input checked="" type="radio"/> Y <input type="radio"/> N	to answer questions if needed
Gordon Evans	HIAA	318 4th St, Juneau	99801	586-3210		IF NEEDED <input checked="" type="radio"/> Y <input type="radio"/> N	SB 173
Pearl Jensen	NFIB	9159 Skywood	99801		9-4278	IF NEEDED <input checked="" type="radio"/> Y <input type="radio"/> N	SB 173
Willis Kirkpatrick	DCED	Division of Banking			2521	<input checked="" type="radio"/> Y <input type="radio"/> N	SB 149
John Hansen	DCED	Gaming			2581	<input type="radio"/> Y <input type="radio"/> N	IF Needed SB-76
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	

04/23/93
14:10:53

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:30586 SCHEDULED FOR:04/23/93 13:30 TO 15:30
PUBLIC HEARING HOUSE JUDICIARY

LTN1150
BY:ANC
FOR:ANC

LOCATION: ANCHORAGE

SB 149
SB 149

GREG
GINA

ERKINS ✓
MCBRIDE ✓

AK ASSN REALTOR TESTIFY
TESTIFY

Fairbanks

SB 149

MR.

GARY

ROTH ✓

DENALI ST. BANK TESTIFY

04/23/93
13:59:38

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:30586 SCHEDULED FOR:04/23/93 13:30 TO 15:30
PUBLIC HEARING HOUSE JUDICIARY

LTN1150
BY:KTN
FOR:KTN

LOCATION: KETCHIKAN

SB 149
SB 149
SB 149
SB 149
SB 149

MR. JACK
MR. ARNE
MR. JAMES
MR. JIM
MR. BILL

BARRY ✓
IVERSEN ✓
BARRY ✓
SARVELA ✓
MORAN ✓

TESTIFY
TESTIFY
TESTIFY
TESTIFY
TESTIFY

Jack
Davis
~~*Walt*~~
~~*Jim Erkins (phonetic)*~~



April 23, 1993

Rep. Brian Porter, Chairman
House Judiciary Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

First Bank, in conjunction with other state banks and the Division of Banking, has been actively involved with the recodification of the Alaska Banking Code. First Bank supports the original SB149 as it represents all of our efforts and brings a badly outdated banking code up to date, reflecting the many changes which have occurred to the banking industry during the past 15 years. If we go back 15 years, banks were the only place you went to get a car loan, boat loan or commercial loan. A bank was the only place to keep a checking account and was one of a few stable, safe places to save your money for the future. However, since that time a lot has changed in the banking industry, much of which is not always apparent to those outside the industry. Over that time Alaska state banks have experienced a significant erosion in our basic business. For example: national banks have the authority to operate an insurance agency in communities with populations of less than 5,000. Credit unions offer discounted deposit and loan services to just about anyone who walks in the door and have the authority to operate insurance agencies. Savings & loans now offer checking accounts, make consumer & commercial loans and have the authority to operate insurance agencies. Brokerage firms offer checking accounts, savings accounts and time deposits in addition to a myriad of other financial products. Insurance companies now offer consumer loans, commercial loans and deposit like products. Ford and GMAC finance more cars than many banks combined. So many companies now offer credit cards you can't keep track of them and non-regulated commercial finance companies actively pursue bank's best loan customers. The net result over time has been a steady loss in the loans and deposits that are so important to long-term stability and viability of state banks, particularly those operating in limited markets. State banks simply can't compete in all areas with companies that do not have similar capital requirements or do not have the same level of costly regulatory limitations and oversight. Because of continued erosion in our basic business, state banks need the opportunity to safely expand (at the discretion of the regulatory agencies) business opportunities within kindred financial services such as property and casualty insurance sales and service, life and health insurance

Rep. Brian Porter, Chairman
House Judiciary Committee
Page 2

sales and service, title insurance sales and service, escrow services, brokerage services, investment advisory services, real estate investment, appraisal services and data processing services. This doesn't necessarily mean that every state bank will immediately establish these subsidiaries. However, it does provide for future options within the approval and review process of regulatory agencies, and allows state banks to compete on an equal basis with national banks and those businesses that are now offering the same products and services we do.

Safety and soundness of state banks is of critical importance to each and every one of us. Allowing state banks to invest in kindred financial service subsidiaries will not adversely affect bank's safety and soundness for several reasons:

1. If anything, the existing competitive imbalance adversely affects state bank safety and soundness. State banks are faced with increased competition for loans and deposits, yet at the same time, we are limited in the products and services we can offer. Allowing state banks to compete on a fair playing field will not only help improve safety and soundness, it will improve the ability to service communities in which we are located.

2. It should be stressed that under SB 149, any subsidiary investment may only be done with the approval of the department, within dollar limitations defined by statute and the subsidiary is subject to regular examinations by the department. A subsidiary would also have to be approved and regularly examined by the FDIC (and in some cases also by the Federal Reserve). In addition, the subsidiary and primary employees would have to be licensed and regulated by any number of state agencies.

3. Any decision by a state bank to invest in a kindred financial service subsidiary would be a thoughtful business decision based upon a sound understanding of the business itself. A bank would not, and could not (because of the considerable regulation), make a subsidiary investment that was not a sound business and financial decision.

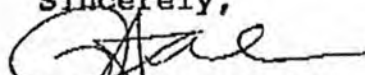
In conclusion, SB 149 should be passed as originally proposed. Other states have modernized their banking statutes, having realized that state banks no longer compete on an equal basis with other financial institutions and many other businesses. In order to grow and prosper in today's multifaceted competitive environment, state banks must have the opportunity to offer new and innovative products and services. Times have changed but our

Rep. Brian Porter, Chairman
House Judiciary Committee
Page 3

banking statutes have not. Now is the time to modernize them and maintain a healthy state banking system which will benefit all Alaskans.

Thank you for your consideration, and should you have any questions, please don't hesitate to contact me at 228-4219.

Sincerely,



James C. Sarvela
Vice President & CFO

cc: All committee members

PIPPEL INSURANCE AGENCY, INC.

P.O. BOX 1067
PALMER, AK 99645
(907) 745-3261
(907) 745-8417 --FAX--
- COVER -

DATE: 4/12/93

TO: COMPANY: HOUSE LABOR & COMMERCE/JUDICIARY CHAIR

ATTN: Representative Hudson / Representative Porter.

FROM: Dan Crawford / Pippel Insurance Agency, Inc.

PAGES: 1

RE: Senate Bill 149 (page 24) Sec. 47.AS06.05.272.

MESSAGE:

Dear Sirs,

I am writing you this letter to request your support in removing item (2) from the above mentioned bill. It is my opinion that this change would be very detrimental to the insurance industry and their clientele.

Thank you for your time.


Dan Crawford

PIPPEL INSURANCE AGENCY, INC.

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 14, 1993

FURTHER REFERRALS:

Date of Committee Action: 4-19-93

The JUDICIARY Committee considered:

CSSB 149(FIN)

CS FOR SENATE BILL NO. 149(FIN)

REVISION OF BANKING CODE

"An Act revising the laws governing financial institutions and relating to trust companies, the Alaska Small Loans Act, and the Premium Financing Act; amending Alaska Rule of Criminal Procedure 17 and Alaska Rule of Civil Procedure 45(b); and providing for an effective date."

RECOMMENDATIONS:

be replaced with HCS CSSB 149 (L+c) the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

^{SENATE} zero fiscal note(s) DCED (3-22-93)

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>Brian J. Porter</i>	✓				
<i>Gail Phillips</i>	✓				

Brian J. Porter
 CHAIRMAN'S SIGNATURE

Received
APR 19 1993
REP BRIAN PORTER



Southern Alaska Life Underwriters Association
P.O. Box 10-3956
Anchorage, Alaska 99510

orig +
attach. to
S.

April 14, 1993

Representative Brian Porter
Chair of Judiciary

Chairman Porter,

Attached is quite a lot of information concerning our position on banks in insurance. We appreciate what has already been done on Senate Bill 149 by the House Labor and Commerce Committee with the removal of the power to allow banks into our business.

We would appreciate being notified when you schedule public hearings for this bill and would like to have it teleconferenced. If it would be beneficial for your committee we can arrange for telephone testimony from our Washington D.C. office. Please let me know if you would like that done.

Once again, thank-you for your support at the Labor and Commerce Committee hearings and I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script, appearing to read "David L. Stratton".

David L. Stratton, CLU, ChFC
President
Southern Alaska Life Underwriters Assn.

04/19/93
13:06:23

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
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TCN: 30546 SCHEDULED FOR: 04/19/93 13:00 TO 15:00
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BY: ANC
FOR: ANC

LOCATION: ANCHORAGE

B 149
B 149
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B 149

~~RETT~~
~~WANDA STRATTON~~
~~LINDA BELL~~
GINA MCBRIDE

ALLAB

ALLAB

TESTIFY
TESTIFY
TESTIFY
OBSERVE

Rep. Brian Porter, Chairman

House Judiciary Committee

Date: April 19, 1993
Place: Capitol Room 120

HB 187 Interception of Private Communications
HB 132 Extend Resource Extraction Permit/Lease
SB 149 Revision of Banking Code
SB 112 Uniform Commercial Code Revisions

Subject of Meeting: SB 84 Revoke Driver's License
if False ID Used; SB 86 Fund Transfers Under the UCC

Please Print Name	Representing	Business/Personal Mailing Address	Zip	(H) Phone	(W) Phone	Do you Want to Testify?	Which Subject/ Which Bill?
LT. CHRIS STOCKARD	PUBLIC SAFETY	450 Whittier St Juneau.				(Y) N	HB 187 - FOR QUESTIONS ONLY ✓
Juanita Hensley	DPS/DMV	Box 1113-00	99811		4335	(Y) N	SB 84 ✓
Bill Kelder	SEN. KERTTALA	Room 427, Capitol Bldg Juneau 99801-1112			4834	(Y) N	SB 86 + SB 112 ✓
JOSH FINK	SEN. KELLY				3819	(Y) N	SB 84 ✓
JOSH FINK	SEN. KELLY				3819	(Y) N	SB 149 ✓
BUD JAEGER	ALASKA INSURANCE AGENTS	301 STEWARD ST. JUNEAU	99801		586-2414	(Y) N	SB 149 ✓
BOB WILLIAMS	REP. TOM BRICE	STATE CAPITOL	99801		73466	(Y) N	CSA/B 132 (ND)
Margot Knutson	Law - Crim	Box 110300	99811		X4049	(Y) N	HB 187
JEFF BUSH	Commerce - Banking + Securities	175 S. Franklin, Ste. 318, Juneau	99801		463-4150	(Y) N	SB 149 ✓
						Y N	
						Y N	
						Y N	

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SB 149

Revision Date: _____
 Title: Laws Governing Financial Institutions and
relating to Trust Companies, Small Loan Companies
 Sponsor: Senate Labor and Commerce Committee
 Requestor: Senate Labor and Commerce Committee

Department Affected: Commerce and Economic Development
 BRU: Banking, Securities, and Corporations
 Component: _____
 COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 Has no fiscal impact on program.

Prepared by: Willis F. Kirkpatrick
 Division: Banking, Securities, and Corporations

Phone: 465-2521
 Date: March 19, 1993

Approved by Commissioner: Paul Fuhs
 Agency: Commerce and Economic Development

Date: March 19, 1993

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FROM

NAME: REP. BRIAN PORTER
COMPANY: Chairman-House
Judiciary Comm
FAX NO.: 465-2278

Nancy Burns

DATE: APRIL 16, 1993

RE:
SENATE BILL 149

MESSAGE: SECTION 06.05.272 OF THE ABOVE BILL ALLOWS BANKS TO OPERATE SUBSIDIARIES WHICH AMONG OTHER THINGS CAN SELL AND SERVICE INSURANCE. INFORMATION INDICATES THAT THIS INTIMIDATES THE BORROWER INTO PURCHASING INSURANCE THROUGH THE LENDER REGARDLESS OF WHETHER THEY ARE OFFERING THE BEST PRODUCT TO THE CUSTOMER. ALSO, THE SELLING AND SERVICING OF INSURANCE WOULD BE A SECONDARY FUNCTION OF THE LENDER WHICH MEANS IT WOULD RECEIVE SECONDARY SUPPORT IN ITS OPERATIONS. THE END RESULT IS THAT THIS PROTECTION, SO IMPORTANT TO THE HOMEOWNER OR BUSINESSOWNER WHO SEEK TO COVER WHAT IS PROBABLY THEIR MOST VALUABLE ASSET, IS BEING HANDLED BELOW THE STANDARDS AND LEVEL OF EXPERTISE PROVIDED BY INSURANCE OFFICES WHERE THE FIRST ORDER OF BUSINESS IS WRITING INSURANCE COVERAGES. AS A RESPONSIBLE INSURANCE PRODUCER, I URGE YOU TO OPPOSE THIS SECTION OF THE BILL, OR THE ENTIRE BILL IF NECESSARY.

THANK YOU FOR YOUR ATTENTION.

PHONE (907) 586-2414

TELEFAX NO. (907) 586-3770



Southern Alaska Life Underwriters Association
P.O. Box 10-3956
Anchorage, Alaska 99510

April 14, 1993

Representative Brian Porter
Chair of Judiciary

Chairman Porter,

Attached is quite a lot of information concerning our position on banks in insurance. We appreciate what has already been done on Senate Bill 149 by the House Labor and Commerce Committee with the removal of the power to allow banks into our business.

We would appreciate being notified when you schedule public hearings for this bill and would like to have it teleconferenced. If it would be beneficial for your committee we can arrange for telephone testimony from our Washington D.C. office. Please let me know if you would like that done.

Once again, thank-you for your support at the Labor and Commerce Committee hearings and I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script, appearing to read "David L. Stratton".

David L. Stratton, CLU, ChFC
President
Southern Alaska Life Underwriters Assn.



Southern Alaska Life Underwriters Association
P.O. Box 10-3956
Anchorage, Alaska 99510

SB 149 House Labor and Commerce Committee
04/13/93

As a confederation of state and local associations representing over 148,000 life and health insurance agents we appreciate the challenge you face when attempting to rewrite state statutes to bring them into line with modern times. We recently participated with the Division of Insurance in a complete rewrite of the agent licensing statute and are pleased with the results of those efforts which include a streamline process for license renewal. We thank you for your positive participation in that process during the last session.

We are very concerned that no one has contacted us for our input on the insurance powers provided for in this banking bill. We are adamantly opposed to banks of any kind being allowed to either underwrite or sell insurance. I am making seven pages of information on this issue available to the committee. We are especially concerned about the potential tie-in sale to obtain credit and the lack of expertise and training in the field of insurance.

This very situation has been dealt with at the Congressional level with no expansion of banking into insurance. Let me close with a quote from the Honorable Senator Frank Murkowski; "While I support efforts to modernize our financial services laws, laws which have gone largely unchanged since 1933, I do not believe that bank's entry into insurance would be beneficial to either consumers or the safety and soundness of the banking system. Banking and insurance are fundamentally different industries that require different training and supervision, and which operate under incompatible regulatory structures."

Please remove this small paragraph from SB 149. This concludes my remarks for today. Thank You.

Sincerely

A handwritten signature in cursive script, appearing to read "David L. Stratton".

David L. Stratton, CLU, ChFC
President

ARGUMENTS



This section discusses why banks should not be permitted to underwrite and sell insurance. *Remember that banks are trying to get expanded insurance powers in your state because Congress has refused to change federal law. They are trying an "end-run" around federal law. Here is a summary of why their arguments fail:*

MYTH:

Banks say they need expanded powers to compete.

REALITY:

Banks are and must remain favored financial institutions governed by a unique regulatory structure. They are at the heart of our payments system, and both public and private interests demand that the banking system remain as stable as possible. Deregulation initiatives are inherently unsound.

In each of the past six years, the number of bank failures has exceeded the number that failed in 1937 - the height of the Great Depression.

The Chairman of the FDIC recently said that fully one-third of bank failures are caused by fraud and self-dealing. The other two-thirds are generally acknowledged to be the result of mismanagement. Bank failures are not occurring because banks lack expanded powers; they are occurring because banks are not successfully managing the powers they already have. The solution is not to give banks even wider latitude.

Congress has repeatedly refused to cut down the wall between banking and commerce. Congress enacted important restrictions on banks' insurance powers in 1982. Bills to expand bank powers have failed in every session since then. Banks are lobbying the state legislatures to end-run Congress, and this should not be allowed to happen. In fact, in prohibiting Citicorp from taking advantage of the recently-enacted Delaware law, the Federal Reserve Board refused to allow this to happen. Any state being led by the banks to believe that they can end-run federal law need look only as far as Delaware to see what the result will be.

MYTH:

Other states have given banks the power to underwrite and sell insurance.

REALITY:

Some states have historically allowed banks to sell insurance. Only South Dakota and Delaware have given banks the power to underwrite insurance. Almost half the states have restrictions on banks' ability to sell insurance. (See chart in Status of the Law section.)

MYTH:

Allowing banks to have insurance powers will benefit consumers.

REALITY:

Is it realistic to expect that banks would sell insurance much more cheaply? Are banks presently giving the consumer a break on credit insurance, the one type of insurance they are generally permitted to sell? How about credit card interest rates or checking account service charges or funds availability? If banks wanted to offer bargains to the consumer, they could do so right now with products and services they presently offer.

MYTH:

Banks contend that current banking laws are keeping American banks from growing larger and competing more effectively in the world marketplace.

REALITY:

Though only one American bank is in the top 30 in the world when ranked by size, 26 American banks are in the top 50 when ranked by profitability according to the 1989 IBCA Ltd. survey. The Japanese banks, feared for their size, are not as profitable.

As compared to other American institutions, Citicorp, one of the largest banks in the world, has \$207 billion in assets, making it the largest U.S. corporation by a \$30 billion margin over General Motors. This single banking institution is larger than the four largest U.S. oil refiners combined, larger than the entire aerospace industry and the entire U.S. computer industry, to name just a few.

A more detailed discussion of the reasons why banks should not be permitted entry into the insurance business follows.

(1) Concentration of Power and Risk

While the specialized, decentralized character of the existing structure of banking in the United States differs sharply from that of most other leading industrial nations, it has served the objectives of our democracy well. Because the system is decentralized, bankers have been responsive not only to national and international credit needs, but to regional and local requirements as well. As a result, the system has effectively accommodated the credit needs of smaller businesses - which represent the bulk of U.S. enterprises - and are responsible for much of the innovation currently taking place in the U.S. economy.

However, recent changes in state legislation are already encouraging rapid regional concentration of banking across state lines. Many of these new statutes have time-triggers which are now beginning to permit banking institutions to become completely national in scope. This can be expected to result over time in the creation of a small number of huge nationwide banking conglomerates.

In these prospective circumstances, if banks were also permitted broad entry into insurance and other types of financial services, their special advantages (from deposit insurance, access to federal credit, and resulting high leverage) would obviously place these few banks in a favored position to dominate all financial services. This would severely reduce competition, both within banking and from other financial service industries, and would be antithetical to our democratic traditions of decentralized financial services.

(2) Regulatory Conflict Problems

Any combination of insuring of risks and lending to risks by the same ownership group raises some fundamental threshold questions regarding which regulator or combination of regulators will assume primary responsibility for regulating the hybrid entity.

Insurance is regulated at the state level whereas banking, while also subject to state regulation, is strongly regulated by the federal government. In an environment of integrated financial services there would be an intensive turf battle between the various federal banking regulators (including the Federal Reserve Board, Comptroller of the Currency and FDIC) and the state insurance commissioners. A multitude of solvency and public policy issues are viewed by each of these regulators as their primary mandate today, and it is hard to believe Congress could act decisively enough in this politically tough area to clearly carve out the role of each one within a federal system, let alone between that federal system and the various state systems. Unless Congress were to make it absolutely clear where the buck stopped on each such issue, each regulator would act in a multitude of different and probably irreconcilable ways.

The most difficult question presented is which system would control in the event of an insolvency of either the bank or its insurance activities. Banking has been able to rely on a federal system which covers depositors in the event of a bank failure (or a state system in some cases). However, in the case of insurance, all insurers writing business in a state pay off the claims in cases of insurer insolvencies through state guaranty funds. These are very different approaches conceptually; they are administered in different ways by different entities, and none of them is likely to want to defer to the other even in the event of a strong legislative mandate.

Even if a system could be selected from the many competing options, it would have to address a whole group of difficult issues. For instance:

- Will insurance guaranty funds be expected to come to the aid of bank depositors where the bank has been drained of revenue to cover imprudent loan policies?
- Will FDIC refuse to pay depositors in a failed bank because that failure is traced to its insurance operations?
- Will the taxpayers be expected to bail out banking decisions involving inappropriate insurance practices or will that portion of the entity somehow be expected to be covered by insurance guaranty funds, thereby forcing other insurers to bail out that portion of the problem banking institution?

Although these regulatory issues and related problems are no doubt capable of legislative resolution, it seems unlikely that Congress will ever address them so efficiently. However, true protection of the public requires these key regulatory conflict issues to be addressed and successfully resolved by Congress. Piecemeal legislation by states will only confuse the issue further.

(3) Bank and Insurer Risks

Another unfavorable consequence of allowing banks into the insurance business would be the resulting pyramiding of risks. Like the banking industry, each segment of the insurance industry presents its own set of risks. Broadly speaking, these risks are quite substantial and in large measure unique to each industry.

Proponents of bank entry into insurance would, of course, seek to limit any resulting increase in risk to the banking function by requiring that nonbanking services be segregated in separate subsidiaries of the holding company. But unfortunately, such segregation would not produce a situation in which the bank was immune from losses that might develop in the subsidiaries. Experience has shown that managements at bank holding companies are seldom willing to allow lesser financial subs to fail, for fear of damaging the reputation of their principal bank sub. Thus, the holding company structure is neither a substitute for prudent management nor a fail-safe device for containing risks.

(4) Credit Leverage/Coercion Power

Because banks are the principal source of commercial credit in our economy, their control over loans provides them with a unique opportunity to influence where borrowers purchase any nonbanking service, especially those that might be sold in conjunction with extensions of credit. An individual or business seeking credit is more susceptible to the suggestion, express or implied, that they are more likely to get credit if they agree to purchase additional bank services such as insurance. Automobile and homeowners insurance policies, which are required to protect the collateral, are good examples of insurance products that can be easily sold (coerced) by a bank coincidentally with the making of an auto loan or home mortgage. Simply stated, the potential for coercion of debtors is magnified when the power to provide credit is combined with the authority to underwrite insurance risks. Even if the loan were already approved, the borrower could feel compelled to protect his or her future credit relationship with the lender by agreeing to place insurance coverage with the bank.

As noted by the National Association of Insurance Commissioners, "it does not require much imagination to see that credit and related services will be implicitly if not explicitly conditioned on the purchase of insurance. The unequal position of the consumer in relation to the lender and the psychological subtleties which exist cannot be ignored. There is no easy way to effectively deal with this very real problem."

As a practical matter, there are no safeguards that can be put into the law that would effectively correct the competitive imbalance created if banks were allowed to sell insurance. Rules governing what a bank may say to a borrower will have little effect because of the customer's realization that he or she stands a better chance of securing a scarce and important commodity such as credit by "volunteering" to accept the insurance products from the bank rather than seeking them in the competitive marketplace. The result is that competition is adversely affected because the customer is no longer purchasing the product or service based on its own economic merit. The ultimate loser, of course, is the consumer. This is a primary reason why the separation that has been maintained between banking and insurance for more than 120 years should be continued unless compelling evidence is presented by the banks that the benefits would outweigh any possible adverse effects. To date, that case has simply not been made.

QUESTIONS AND ANSWERS



1. Wouldn't banks be able to sell insurance at a lower price than insurance companies?

No. There is no evidence to show that banks would sell insurance at any cheaper price. In the few states that currently allow their banks to sell all lines of insurance, they are selling it at prices comparable to other sources. In fact, the only insurance that they now are allowed to sell under federal law — credit life — has been termed a "national scandal" by former Tennessee Insurance Commissioner John C. Neff. In comments filed before the Federal Reserve Board in 1984, he stated, "Every bank that I know of sells credit insurance at the maximum price allowed by law and makes no attempt to sell it at a price that would produce a fair return of benefits to the consumer." A 1990 study by the GAO — the independent arm of Congress — concluded that bank entry into the insurance business may have little effect on insurance premiums.

2. Aren't some savings banks in New York, Connecticut and Massachusetts selling life insurance (savings bank life insurance or SBLI) at a lower price?

It is not that simple. You must compare apples to apples and oranges to oranges. Savings Bank Life Insurance is a unique form of personal life insurance that was created by statute in only three states in the early twentieth century as low cost life insurance for the poor. The three states — New York, Connecticut and Massachusetts — originally funded this insurance and the banks realized federal income tax savings of up to eight times that available to life insurance companies in those states. While a survey by the Consumer Federation of America concluded that SBLI is cheaper than some other forms of life insurance, other studies have shown that SBLI is not necessarily a better buy. Even if SBLI is cheaper, given its special statutory advantages, it certainly ought to be very much cheaper.

3. Don't most states currently permit banks to sell and underwrite insurance?

No. The majority of states do not permit banks to sell or underwrite insurance, recognizing the necessity of maintaining a separation between banking and commerce. Eleven states permit bank employees to be licensed as agents for the sale of insurance, and only two states — South Dakota and Delaware — expressly permit state banks to underwrite insurance. Close to a majority of states specifically prohibit banks from selling or underwriting insurance.

4. If banks were allowed to underwrite insurance, wouldn't they increase availability for those lines of insurance that are hard to get?

No. Although this is a primary argument advanced by the banking industry in support of its efforts to get into the insurance business, bank executives have indicated during legislative questioning sessions that they would not offer riskier coverages, such as municipal liability insurance, medical malpractice insurance, or even environmental liability insurance. There are already over 6,000 insurance companies doing business in the U.S. It is hard to imagine that with so many companies offering insurance products, banks would be in a better position to offer hard to find coverage.

5. Savings and loan companies, savings banks and other thrifts are generally allowed to sell insurance. Why then can't banks?

The insurance activities of these institutions are quite limited, and are poor examples of why banks should be permitted to sell insurance. Aside from SBLI, which is unique to three states, a thrift is generally permitted by federal law to invest up to 5% of its assets in a service corporation, which in turn can act as an all lines insurance agent or broker. That is a very practical limit on the scope of insurance agency activities in which a thrift may engage. Furthermore, the collapse of the savings and loan industry, while not particularly traceable to its insurance activity, stands as a warning beacon to expanded activities for banks.

6. Why shouldn't banks be permitted into the insurance business when Sears is?

There are exceptions to the Congressional mandate that commerce and banking remain separate, of which Sears is a primary example. Congress agreed to address these anomalies when it enacted the Competitive Equality Banking Act of 1987 (CEBA), although no action has been taken to date. Creating further anomalies at the state level will obfuscate the issue all the more.

7. How will allowing banks into the insurance business endanger the solvency of the banks?

In the last year, and for each of the last six years, the number of bank failures has accelerated. The insurance industry has been experiencing a series of bad underwriting cycles. One should be very leery about combining two extremely risky businesses.

Furthermore, the problems of one subsidiary in a bank-controlled financial conglomerate cannot be walled off from another by the facade of a holding company structure. Walter Wriston, former chairman of Citicorp, in testimony to the U.S. Senate Banking Committee stated, "it is inconceivable that any major bank would walk away from any subsidiary of its holding company. If your name is on the door, all your capital funds are going to be behind it..."

8. Isn't allowing banks to sell insurance, but not underwrite it, a fair and acceptable compromise to all concerned?

Fair and acceptable to whom? The chief considerations in this issue should be those surrounding the consumer. In today's volatile financial marketplace it seems most important from a consumer's perspective to restrict industries to the services and products they provide best — and in which they have considerable expertise.

If banks were allowed to sell, but not underwrite insurance, they actually would be selling the product of an insurance company. This has the potential to confuse a consumer who may assume products sold by a bank are its own. Further, if banks are allowed to sell and underwrite life insurance, consumers have a right to know that the underwriting experience they associate with traditional insurance products may differ when the policy is that of a bank. In short, allowing banks to either sell or underwrite insurance may lead to unnecessary confusion between what consumers believe they are purchasing and what they actually receive — in an already complicated set of financial decisions. This confusion could potentially do harm to the confidence consumers have traditionally placed in their insurance company.

9. What is risky about banks merely selling insurance?

While selling insurance does not pose the solvency risk that underwriting does, it does pose the risk of so-called "credit tie-ins" for the bank's customers.

10. Is there evidence that these tie-in sales exist?

While there is some affirmative evidence of blatant tie-in sales, the real problem is more subtle. An individual applying for a loan is likely to purchase credit insurance from a bank to enhance his or her chances of getting the loan. Because the bank keeps a commission that would otherwise go to an agent, and receives dividends from its controlled insurer, the bank has an interest in selling insurance at the very highest price. This is a phenomenon called "reverse competition," or competing to keep prices up. As a result, credit insurance is sold at the highest prices that each state will allow. Other forms of insurance could fall into this same pattern of reverse competition.

11. These charges of coercion or tie-in keep coming up. Are these real problems or are they simply clouding the issue?

That question is best answered by quoting the words of then-U.S. Assistant Attorney General Richard McLaren who told the U.S. Senate Banking and Currency Committee in 1970: "A potential loan applicant might voluntarily place his casualty insurance business with a bank affiliated insurer in hopes of improving his chances for a mortgage loan on the insured property on favorable terms. This would have the same effect as a coercive tie-in; competition in the tied product (insurance) would be lessened to the extent that customers no longer purchased it entirely on its own economic merit. Such voluntary tying is the product of market structure, not misconduct."

Since structural tying involves no overt action, no legislative or regulatory sanctions are possible.

12. Wouldn't banks offer better service to the customer in the sale of insurance than is offered by the current system?

No. Insurance agents offer personal service. The trend in the banking industry is away from personal service. One has only to look at the recent withdrawal of bank services from all but the most wealthy consumer. Money machines have replaced human tellers. Service fees charged by banks have increased multifold. Jurisdictions such as the District of Columbia have felt the necessity to require major banks, as a condition of entering their market, to put branches in lower income areas.

13. Isn't the real argument here that insurance agents and brokers are trying to protect their own turf, trying to prevent more competition?

No, because agents already compete with each other, as well as with direct writers, with sales by direct mail and with sales from department stores - without complaint. But licensing banks to sell insurance is allowing unfair competition with inherent potential for coercion, tie-in sales and undue concentration of economic power.

14. Delaware enacted a law in 1990 that allows Delaware banks to underwrite and sell insurance across the country. Doesn't this indicate that it's only a matter of time before the traditional barriers between banking and insurance are done away with?

No. The Federal Reserve Board effectively put an end to this notion when it issued an order prohibiting Citicorp from taking advantage of the Delaware law. The Board found that the Delaware law was drafted in a way so as to allow a "serious evasion" of the insurance sales and underwriting restrictions of the Bank Holding Company Act. Thus, the Fed has acted to strengthen these traditional barriers rather than to do away with them.

The banking industry led Delaware to believe that it could sidestep federal law, enticing it with the fruits of economic development and jobs for its citizens. Figuring it had nothing to lose, Delaware bought the banker's claims. When the pot of gold at the end of the rainbow proved to be empty, Delaware paid the ultimate price — no economic development, no jobs, and its share of the cost of proving the banker's claims in federal court.

15. What about passage by California's voters of Proposition 103? Doesn't this indicate that consumers want to buy insurance from banks?

Proponents of California's Proposition 103 managed to slip by voters a little-known, or understood, provision permitting bank sales of insurance in that state. It is for this reason that insurers believe that complicated subjects, like life insurance regulation, do not lend themselves to the initiative process. In bypassing state legislatures, issues are decided without opportunities for hearing and other rational and informed debate. This can mean that important decisions are based less on substance and more on rhetoric, and can be damaging to consumers.

16. What about the argument that U.S. banks are not as competitive as foreign banks in the world marketplace because they cannot enter into other businesses, such as securities, insurance and real estate?

This is fast becoming the favorite argument of banks who complain that, when ranked by size, there is only one U.S. bank in the top 30 worldwide. Is this an appropriate — or even relevant — argument? No.

Let's look at a far more important measurement, profitability, in the judgment as to whether U.S. banks are competitive. Twenty-six U.S. banks are in the top 50 when ranked by profitability according to the 1989 IBCA Ltd. survey. Even the Japanese banks, much feared for their sheer size, are not as profitable. The world's largest bank, a Japanese institution (Dai-Ichi Kangyo Bank Ltd.), ranked a lowly 75th in profitability.

So legislators must not be led to believe that U.S. banks are restricted in their competition in a global economy. They are already big enough and, more importantly, profitable enough to be key players in any financial market.

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ALL LINES OF INSURANCE

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FACSIMILE TRANSMISSION

DATE: April 16, 1993

TO: Representative Porter
Chairman Judiciary
Committee and
Representative James,
Kott, Phillips, Green,
Davidson, and Nordlund

Subject: Senate Bill 149

NUMBER OF PAGES INCLUDING
COVER PAGE 1

PLEASE ADVISE IF YOU DO NOT RECEIVE COPIES OF ALL PAGES.

Dear Chairman Porter and members of the Committee:

We urge you not to allow the banking industry into our Insurance Business.

We wrote last week advising that it would be detrimental to the Alaskan consumer if banks sold insurance along with doing their banking business. In addition to a disservice to the consumer it would adversely affect those many Alaskans working in Insurance Agencies in our State.

As Insurance Agents our only assets are the policies, and expiration dates of these policies in our files. I would venture a guess that 95 percent of the property policies we write have a bank named as having an interest thru either a mortgage or loss payable clause. We must furnish banks with copies of policies or certificates stating the amount of insurance, effective dates, names of Companies and the amount of the Premium. To allow Bnks into the business would be the ruination of the competitive Independent Insurance Agent in Alaska. As they have access to all of our policy information.

The deletion of "Insurance Sales and Service" from the Senate Bill was an important 1st step and we appreciate it.

Now, to prevent them from entering into our business by the back door at some future date, it is imperative that paragraph (4) "other activities authorized in regulations adopted under this section; or (5) other activities approved by the department" be deleted.

Sincerely,

Ken Stedman
Ken Stedman
Insurance Agent
Paula Scott
Paula Scott
Insurance Agent

Bonita Stedman
Bonita Stedman
Insurance Agent

Karl Stedman
Karl Stedman
Insurance Agent



Alaska State Legislature

Senator Tim Kelly, Chair
Senator Steve Rieger, Vice Chair
Senator Drue Pearce
Senator Judy Saio
Senator Georgianna Lincoln



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MEMORANDUM

TO: Representative Brian Porter, Chair
House Judiciary Committee

FROM: Senator Tim Kelly, Chair *TDK*
Senate Labor & Commerce Committee

DATE: April 15, 1993

RE: Request for a hearing for SB 149 - Banking Code Revision

I respectfully request you consider scheduling SB 149 for a hearing before the House Judiciary Committee at the committee's earliest convenience. This legislation passed the Senate on April 1 with a vote of 18 yeas and 2 neas.

The existing banking code was taken from Oregon law at the time of Alaska Statehood in 1959. It is now viewed as obsolete by those in the industry as well as the division of banking. Since the code was adopted the financial market place has changed substantially, and we've experienced numerous bank failures.

For the past few years the Division of Banking, Securities and Corporations has been working to identify areas where the code needs updating and revision. More recently, the 5 state chartered banks in the State have been working with the banking division through the Senate Labor & Commerce Committee to address these needed revisions. The result of these efforts is Senate Bill 149.

This bill not only addresses the new financial marketplace and the problems of failing banks, but could provide additional economic development opportunities for our State banks.

Every banking institution in the state was invited to review and comment on the legislation before introduction. In addition, Mr. Kirkpatrick, the

Representative Bill Hudson, Chair
House Labor & Commerce Committee
April 8, 1993
Page 2

Director of the Division of Banking, agreed to provide a draft of regulations that would result from the implementation of the banking code revision. It has been a constructive and collective effort.

Attached you will find a letter from Mr. Kirkpatrick explaining the need for this revision, a brief overview and description of the bill, and a sectional analysis.

You should note that two other bills in the House Judiciary Committee, SB 86 and SB 112, Uniform Commercial Code Revisions, update obsolete and antiquated laws critical to the efficient flow of commerce and trade in the State. They both passed the Senate unanimously on April 2.

These bills, along with SB 149, will require a 2/3rds vote as they enact court rule changes. For this reason, I believe it is important that they move through the committee process together as a package. Passage of this package of legislation will be a real accomplishment and asset to this legislative session.

Thank you in advance for your consideration.

Attachments

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES AND CORPORATIONS

WALTER J. HICKEL, GOVERNOR

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March 17, 1993

The Honorable Tim Kelly
Alaska State Senate
State Capitol
Juneau, AK 99801-1182

Dear Senator Kelly:

Re: Senate Bill 149
The Need for a New Alaska Banking Code

The current Alaska Banking Code (AS 06.05) is critically obsolete. The existing code was taken from Oregon law at the time of Alaska statehood, and has had only minor revisions since then. The Division of Banking, Securities and Corporations (division) has for the past few years been working to identify areas where changes in the code are needed. These changes fall into three basic categories:

- I. obsolescence concerning today's financial institution marketplace;
- II. obsolescence in addressing problems or failing banks; and
- III. the need for a banking law that could provide additional economic development opportunities.

Section I, The Marketplace

Since statehood, there have been vast changes in the financial institution marketplace. Interest on deposits is no longer regulated; new competition such as brokerage firms now offer interest on deposits, which also has checking privileges. Credit card issuers have now grown to include a telephone company and an automobile manufacturer. The amended Alaska Banking Code provides more flexibility to change through regulation.

Other amendments address additional banking powers like international banking and international branching, including interstate branching; provisions for bank subsidiaries; and revamps existing lending statutes along with reserves and capital requirements.

Existing law gives the department authority to promulgate regulations in conflict with statutes to provide competitive parity with nationally-chartered banks. The amendments of the banking code bring those prior parity regulations into statutory conformance.

Number II, Problem and Failing Institutions

The current Alaska Banking Code is completely out-of-step, when addressing failing financial institutions. One of the most obvious provisions is the

assessment of stockholders in situations of "impairment of capital." The assessment of shareholders to increase capital of a bank is virtually a 1930's action in a unit-bank system, where banks are closely held in a small community setting. The amendments to the banking code provide a series of administrative action that provide due process for addressing unsafe and unsound conditions. Under due process, the department is given the authority to address violations of the Alaska Banking Code which could if not corrected, carry civil money penalties.

The amendments also provide for methods of bank closure with FDIC as receiver which would allow meaningful action and preserve due process. This corrects a problem area pointed out by the Alaska Supreme Court in Hoffman v. State.

Section III, Improve Economic Development Opportunities

The current Alaska Banking Code is very restrictive as to what banks can do or invest in. The revised code increases the powers banks will have, especially in subsidiary powers. Investments will be by regulation, rather than a statutory investment menu. The subsidiary provisions will give financial institutions an opportunity to broaden their earning centers, and increase service activities within the community.

The amended banking code could increase potential development by allowing international banks to establish branches in Alaska. This provision alone has been targeted by the department as a need for economic development. Far Eastern financial institutions could establish an operating branch in Alaska, which would be in a beneficial time zone by being equal distance to many money-center markets worldwide. These international offices could also provide capital to develop Alaska resources. This resource development by international branches could be in the form of assisting the bank's customers in processing needed resources from Alaska.

The new code also provides for interstate branching. Alaska is following the State of New York's lead, on the subject of interstate branching. Preemption by Congress would have a detrimental economic impact on the State of Alaska. The amended code provides for the proper vehicle to protect from undue concentrations and some orderly control in instances where there would be interstate branching into Alaska. Through meaningful regulation, interstate branching may then provide some additional available capital to Alaska markets, very much like that of interstate banking brought in 1981.

Sincerely,



Willis F. Kirkpatrick
Director

Summary of Senate Bill 149
Recodification of Alaska Banking Code

REVISIONS AND EXPANSIONS OF BANK POWERS

1. Creates an entirely new article on interstate and international banking, to allow foreign and other US banks to enter the Alaska marketplace. Section 87, beginning on page 52.

A. Either an interstate (a US bank headquartered outside Alaska) or international bank can purchase an Alaska state or national bank. Proposed AS 06.05.550(a), page 52.

B. An international bank may establish a new branch in Alaska; an interstate bank cannot, but rather must purchase an existing Alaska bank or branch. Proposed AS 06.05.550(b), page 52.

C. For an interstate bank, reciprocity with the bank's home state will be required. Proposed AS 06.05.555(d)(1), pages 53-54. This will hopefully open up the availability of other state markets for our banks.

D. Also for an interstate bank, FDIC insurance will be required. Proposed AS 06.05.550(a). An international bank, instead, will have to maintain assets in the state at least equal to 100% of its Alaska deposits. Proposed AS 06.05.560, pages 54-55.

E. Any branches of interstate or international banks will be subject to examination by the department, which also is authorized to examine the home office of the bank to the extent necessary to protect Alaska depositors. Proposed AS 06.05.565(c) and (d), pages 55-56.

2. Provides for banks to have subsidiaries. Proposed AS 06.05.272, section 47, page 24. The new code specifically authorizes subsidiaries engaged in real estate ownership, development and leasing; insurance; and securities brokerage. Other activities for subsidiaries are subject to department approval, and the plan, as set out in the draft regulations (see draft 3 AAC 02.200, at page 28), is to analyze other activities on a case-by-case basis for now.

3. Revamps the bank lending statutes.

A. Adopts general lending limits, i.e. the amount a bank can loan to any one person or entity, that are similar to those used by the Comptroller of the Currency (OCC); these limits have applied in Alaska for several years anyway by regulation adopted under AS 06.01.020, the "wildcard" statute. Proposed AS 06.05.205(b), section 25, page 14. Thus, if adopted, the statutes will be brought into conformity with current practice.

B. Provides that the department may adopt regulations (see draft 3 AAC 02.125(b) and (c), at page 19) to determine when a loan to one person will be attributed to another, for purposes of calculating the lending limits of AS 06.05.205(b). Proposed AS 06.05.205(g), section 28, page 15.

SB 149 Summary, page 2

C. Eliminates all loan-to-value and term restrictions for real estate lending, requiring instead that lending comply with sound bank policies, subject to examination. Proposed AS 06.05.207, section 29, page 15.

D. At the request of the banks, the new code proposes a change to AS 06.05.215 to provide personal liability for directors or officers for loans made in violation of law or bank policies only when gross negligence is proven. Section 33, page 17.

REVISIONS TO DEPARTMENT'S REGULATION OF BANKS**1. Changes the capital and reserve requirements for banks.**

A. With respect to reserve requirements, the new code provides that these will be set by regulation. Proposed AS 06.05.200(a), section 23, page 13. Current law provides for reserves of 20% of demand deposits and 8% of time and savings deposits. The draft regulations propose a new figure of 15% of all deposits. See draft 3 AAC 02.110(a), at page 15. Although this figure is arguably higher than the old numbers, the department also proposes greatly expanding the list of assets that can be considered for reserve purposes. Draft 3 AAC 02.110(b), at page 15. According to department calculations, the new proposal will not significantly raise or lower current requirements; the department's intention is to simply try to find a single figure, for ease of calculation, that approximates current requirements.

B. With respect to capital requirements, the new code raises minimum capital requirements to \$1 million in general, and \$2 million for banks in Anchorage and Fairbanks. Proposed AS 06.05.305, section 50, page 25. These are minimums — the department will set the actual requirements in each case. At present, the smallest Alaska state bank has \$7.9 million in capital.

2. Makes the Alaska Corporations Code, AS 10.06, generally applicable to banks. Proposed AS 06.05.301, section 49, page 25. This will eliminate the essentially duplicative statutory scheme with respect to bank formation, corporate actions, and filing requirements.

3. Sets up a permitting system for bank holding companies. Proposed AS 06.05.235(b), section 38, page 19, and AS 06.05.570(a), section 87, page 56.

4. Makes FDIC insurance optional, although only with a waiver from the department. Proposed AS 06.05.355(a), section 61, page 32. If waived, presumably there will need to be some alternative protection for depositors, like the asset requirements for international banks (see e.g., proposed AS 06.05.560, section 87, pages 54-55).

5. Repeals Alaska's Savings Association Act, AS 06.30. Section 96, page 59. At present, there are no existing state S&L's, and if formed, a new one would be subject to duplicative state and federal regulation. Therefore, it would be better to repeal this authorization, and if an organization wishes to form a savings bank, it can do so either under a federal charter, or under the state Mutual Savings Bank Act, AS 06.15.

SB 149 Summary, page 3

CHANGES TO THE DEPARTMENT'S ENFORCEMENT POWERS

1. The bill consolidates all penalty provisions of Title 06 into one section. Proposed AS 06.01.035, section 7, pages 5-7. The new code also grants the department the authority to assess administrative penalties for violations of the code, regulations or department orders. Proposed AS 06.05.035(e)-(g). See the sectional analysis, page 2, for a description of what other states and the FDIC do in this area.
2. Revises sections relating to bank liquidations. Proposed AS 06.05.466-474, sections 81-85, pages 40-47. During the 1980's when several banks closed, the department discovered that its liquidation statutes were generally pretty good, but needed a few changes. In particular, the Supreme Court held in Hoffman v. State that although the constitution might not require a hearing before the department takes possession of a bank, the statutes do. The changes proposed will clarify that this hearing may be closed to the public (proposed AS 06.01.030(e), section 6, page 4); in fact, it is the department's intention to hold a closed hearing with the board in these cases at a board meeting called by the department.
3. Provides that the department may remove a director from a bank's board under certain, enumerated conditions, generally where the director's actions are threatening the soundness of the bank. Proposed AS 06.05.435(g), section 68, page 36. Also, provides that the department can recommend that a board fire an officer or employee, and if the board refuses, it risks liability for negligent or intentional actions of that employee that cause losses. Proposed AS 06.05.437(c), section 70, page 37.

COMMITTEE SUBSTITUTE FOR SENATE BILL 149 (FIN)
RECODIFICATION OF THE ALASKA BANKING CODE
SECTIONAL ANALYSIS

Section 1. Technical change. Alaska no longer issues a "charter," so references to that term are eliminated throughout the statutes.

Section 2. Technical change.

Section 3. This is current AS 06.05.025 and 06.05.040, mostly with minor technical changes. Recognizing that examiners should not be precluded from merely investing in banks, we have changed the provisions to allow an examiner to own up to 5% of the voting stock of another institution; this will allow simple investments but will not permit an examiner to have a controlling ownership interest in a bank.

Since the department examines all financial institutions, not just banks, the provisions relating to exams have been moved to AS 06.01, the chapter that applies to all financial institutions.

Section 4. Changed to bring the section up to date, given that the list of federal agencies in the current statute is inaccurate. The change will make the statute apply regardless of what changes occur in the future to the names of the federal agencies.

Also, at the banks' request, "corresponding" was removed in (2) to allow the department to equalize competition between financial institutions regardless of what they are called.

Section 5. Current AS 06.05.060(a) and (b). Only change is to clarify that this section applies only to records relating to financial institutions, not all records of DCED.

Section 6. (a) - (d). New cease and desist provisions, to more accurately set out the procedure used by the department; existing law has been confusing. These new subsections are generally taken from the FDIC Act (12 USC 1818(b)(1)) and the Alaska Securities Act (AS 45.55.200(a)), both of which have proven track records. (d) will permit the department to issue temporary orders before a hearing, to ensure preservation of the status quo (like a TRO).

(d) Current (b), amended to make it clear that public hearings need not be held in cease and desist proceedings.

(e) Current (c) & part of (d), without substantive change; the rest of (d) has been moved to Section 8 of the bill.

(f) Current (e).

(g) Defines "unsafe or unsound practice."

Section 7. This section consolidates all penalty provisions from AS 06 relating to financial institutions. Existing penalty provisions, scattered throughout the code, are repealed in this bill.

(a). The criminal sentences on individuals are generally kept

for all bank holding companies that wish to purchase a bank or bank holding company doing business in Alaska.

(b). Currently sec. 235(f).

(c). Taken from 3 AAC 02.910(b).

Section 88. This amends the exemption from the small loan act for pawnbrokers from \$200 to \$500. The current figure dates back at least to 1981, and inflation makes a higher limit now appropriate.

Section 89. This has been changed to clarify that the provisions of the banking code apply to trust companies engaged in the business of banking.

Section 90. Technical amendment.

Section 91. Allows credit unions to designate executive offices in bylaws. (Added in Finance Committee.)

Section 92. Allows board of directors to appoint credit committee, instead of requiring the committee to be elected at annual meeting. (Added in Finance Committee.)

Section 93. Allows credit union to designate titles and offices of the executive officers. (Added in Finance Committee.)

Section 94. Requires board of credit union to appoint a CEO, called the president, to be in charge of operations. (Added in Finance Committee.)

Section 95. Technical amendments, consistent with Section 92. (Added in Finance Committee.)

Section 96. Allows more than one loan officer to serve on the credit committee. (Added in Finance Committee.)

Sections 97 and 98. Makes the Corporation Code applicable to banks.

Section 99. Conforming amendment.

Section 100. Clarifies that the Consumer Protection Act, while exempting transactions regulated under AS 06.05, applies to all other bank transactions, and in particular those between banks and their customers.

Section 101. Technical amendment.

Section 102. Repealers:

AS 06.01.010(c). Now covered by AS 06.01.035(h).

AS 06.05.015. Included in new AS 06.05.005(b)(7).

AS 06.05.020. (a). All covered elsewhere in the code.

(b). The first sentence is already covered by AS 06.01.030 (in this bill, subsection (f)). The rest duplicates common law, except

for the last sentence, which is a labor law issue and should not be in the code.

AS 06.05.025. All provisions relating to examinations are now in AS 06.01. This section is contained in AS 06.01.015.

AS 06.05.030. Moved to AS 06.05.005(b)(1); see notes to that provision.

AS 06.05.035. Already covered by AS 06.01.010.

AS 06.05.040. Moved to AS 06.01.015(a).

AS 06.05.055. Some of the information ((1) and (2)) is already essentially done, through the governor's legislative requests, and the rest either is unnecessary for legislators or is public information. This is an expensive annual exercise for the division (estimate is 30 person-days) that is unnecessary.

AS 06.05.060. (a) and (b). Moved to AS 06.01.025, to apply to all financial institutions.

(c). Already covered in AS 09.25.110.

AS 06.05.065. (d) and (e). Included in comprehensive penalties section, AS 06.01.035.

(f). Definition no longer used in the code.

AS 06.05.070. Most of this section is obsolete. We have repealed it and simply provided in AS 06.05.005 that the department will adopt regulations for records retention (which it has already done in current 3 AAC 02.010).

AS 06.05.080. Already established in Alaska case law.

AS 06.05.085. Already covered by Alaska case law.

AS 06.05.090(c). This is included in comprehensive penalties section, AS 06.01.035.

AS 06.05.130. This section is essentially superseded in substance by the UCC, AS 45.04.406.

AS 06.05.175(c). This is already covered; any violation of the code is subject to discipline and/or enforcement action under AS 06.01.

AS 06.05.185. The sections relating to trust companies (AS 06.05.185 - 06.05.195) are obsolete and are therefore repealed. These provisions are already covered in the trust company act, specifically AS 06.25.085.

AS 06.05.190. See note to previous section.

AS 06.05.195. See note to repeal of AS 06.05.185.

AS 06.05.200(b) and (c). These are procedural matters that will be put in regulations. Also, the permissible list of deposits will be expanded to include deposits held by the Federal Reserve Bank and the Federal Home Loan Bank, to make the regulations consistent with current practice.

AS 06.05.205. (a). By regulation adopted under AS 06.05.438(c), a requirement will be inserted that when lending reports are made to the board, all loans over a specified amount (higher than \$25,000 - probably \$100,000) will be specifically identified.

(e). Already covered under sound lending practices.

(f). Obsolete.

AS 06.05.206. All special statutory restrictions on real estate loans are repealed in this draft of the code, except those

still remaining in AS 06.05.207. Leasehold and development loans are now covered by that section.

AS 06.05.208. This section is covered by AS 45.10.120(c).

AS 06.05.210(b). This is repealed and the substance moved to the comprehensive penalties section, AS 06.01.035.

AS 06.05.220. Already covered by federal law.

AS 06.05.232. The code has been drafted to provide that only a bank's subsidiary can enter into these types of leases. Thus, the section is repealed here, and a broad authority to enter into leases is included in new AS 06.05.272.

AS 06.05.235. (c). Already covered in powers of the department to adopt regulations.

(d). Covered by comprehensive penalties section.

(e) and (f). We have split this section in half, moving the provisions relating to out-of-state bank holding companies to new AS 06.05.521, in the article on interstate banking.

(h). Definitions have been moved to the general definitions section, AS 06.05.540.

AS 06.05.238. This section belongs with the provisions relating to meetings of the board. Thus, it has been moved to AS 06.05.438(f).

AS 06.05.255(c). This subsection was ambiguous and unnecessary.

AS 06.05.260(b). This subsection was probably unenforceable, definitely unclear and ambiguous, and arguably inconsistent with the state's depositor preference.

AS 06.05.270(b). Specific permissible investments for banks have been repealed and will now be set out in regulations. See comments to bill section 46.

AS 06.05.275. (a). Deleted as unnecessary and obvious.

(c). Deleted as unnecessary. For clarity, if desired, we will put it into regulation.

AS 06.05.280(a) and (b). These are sufficiently handled by market forces, and they are unnecessary.

AS 06.05.300. Covered by AS 10.06.010.

AS 06.05.307. (d). Already covered by AS 06.05.205(b).

(e). Repealed as obsolete.

AS 06.05.325. Covered by the Corporations Code.

AS 06.05.330. Covered by AS 10.06.205. However, the Corporation Code provides that there can be only one incorporator, and this will now be allowed for banks as well.

AS 06.05.345. (b). Covered by the Corporations Code.

(c) - (j). Moved to new AS 06.05.344.

(k). Beginning of corporate existence is already covered in the Corporations Code.

AS 06.05.360. Foreign banks are permitted to engage in banking under new article 9.

AS 06.05.367. Most of this section is incorporated into new AS 06.05.565. Paragraph (2) is removed because we are no longer going to require FDIC insurance.

AS 06.05.380. (a) and (b). are the same as 350(b)(1).

(c). This is included in the comprehensive penalties section.

AS 06.05.390. Covered, with minor variations, by AS 10.06.490.

AS 06.05.395. Substance moved to and incorporated in AS 06.05.350(a).

AS 06.05.430. Covered by AS 10.06.405 and 10.06.415.

AS 06.05.435. (b). Covered by AS 10.06.223.

(e). Covered by AS 10.06.465.

AS 06.05.443. Combined with AS 06.05.445.

AS 06.05.465. Voluntary liquidations will now be covered under the same procedure as involuntary ones, i.e. under the control of the department. See AS 06.05.468(a) in Section 82 of the bill. Of course, if a bank wishes to voluntarily dissolve and there is no reason for the department to get significantly involved, the department can appoint the existing board as receiver.

AS 06.05.470. This section has been split up to make it more manageable. The substance of this section remains essentially unchanged.

(a). Substance moved to sec. 468(a).

(d). Now sec. 468(d).

(f). Now sec. 471(a).

(j) and (k). Now sec. 471(b) and (c).

(l) - (n). Now sec. 472.

(o) - (y). Now sec. 473.

(z). Now sec. 474.

AS 06.05.480. Moved to sec. 350(d).

AS 06.05.485. Moved to new sec. 262.

AS 06.05.490. Included in comprehensive penalties section, AS 06.01.035.

AS 06.05.495. Duplicative; same as sec. 470(g)(2).

AS 06.05.500 - 06.05.520. Covered by comprehensive penalties section.

AS 06.05.525. Covered by AS 06.01.030.

AS 06.05.530. Obsolete.

AS 06.20.320(b). Covered by new comprehensive penalties section, AS 06.01.035.

AS 06.25.060. Covered by comprehensive penalties section.

AS 06.25.070. Also covered by comprehensive penalties section.

AS 06.25.320. Also covered by comprehensive penalties section.

AS 06.30. Repeals state Savings Association Act.

AS 06.40.160(b). Covered by comprehensive penalties section.

AS 06.45.320. Covered by comprehensive penalties section.

AS 06.45.330. Also covered by comprehensive penalties section.

Section 103. Transitional provisions.

(a) Makes sure that the new Corporations Code applies to all banks.

(b) Requires existing banks to amend their articles to conform to the new code at the next regular annual meeting, and then file the amended articles with the department.

Section 104. Notes possible Court Rule change.

Section 105. Effective date 1/1/94.

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 2, 1993

FURTHER REFERRALS:

Judiciary

Date of Committee Action: 4/13/93

The LABOR AND COMMERCE Committee considered:

SB 149

CS FOR SENATE BILL NO. 149(FIN)

REVISION OF BANKING CODE

"An Act revising the laws governing financial institutions and relating to trust companies, the Alaska Small Loans Act, and the Premium Financing Act; amending Alaska Rule of Criminal Procedure 17 and Alaska Rule of Civil Procedure 45(b); and providing for an effective date."

RECOMMENDATIONS:

be replaced with ACSSB 149L (LTC) the same title a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

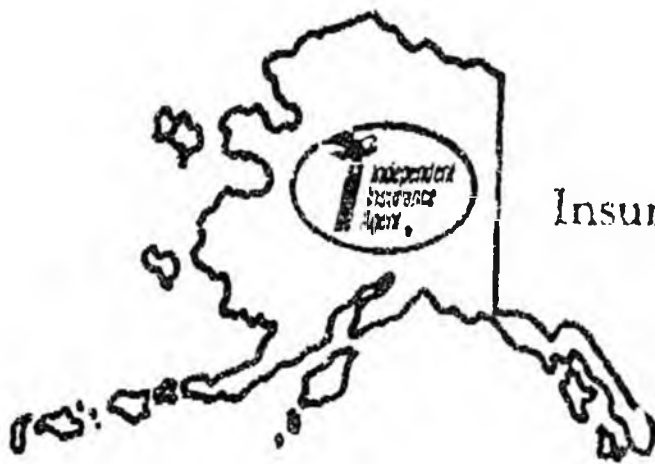
fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) DCED

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>		<input checked="" type="checkbox"/>	
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		<i>[Signature]</i>		<input checked="" type="checkbox"/>	
		<i>[Signature]</i>		<input checked="" type="checkbox"/>	

[Signature]
CHAIRMAN'S SIGNATURE



Alaska Independent
Insurance Agents & Brokers, Inc.

FACSIMILE COVER PAGE

DATE: April 14, 1993

FROM: Gina McBride

COMPANY: House of Representatives
ATTN: Representative Brian Porter

FAX #: 465-3834

REGARDING: SB 149

1 PAGE(S) SENT, INCLUDING THIS COVER PAGE.

MESSAGE:

I understand ~~SB 149~~ has passed on the House Judiciary Committee.

We would appreciate being advised when the bill will be heard in committee, and also request the committee meeting be teleconferenced throughout the State, so that our members have the opportunity to testify on this bill, which is very important to the insurance industry.

Thanks,

THE
FOLLOWING
DOCUMENTS
ARE
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UNITED
INSURANCE

FAX

P.O. Box 33519
JUNEAU, ALASKA 99803
(907) 789 5208
FAX (907) 789 1858

April 15, 1993


Representative Brian Porter
House Judiciary Committee
Alaska State Capitol
Juneau, Alaska 99801-1182

Re: ~~SB 119~~

Dear Representative Porter:

I oppose SB 119 because it expands state authority to allow them into the insurance business under Sec 26.05.272. This is not in the best interest of the Alaskan consumer. I ask you to vote against this bill if items (3) or (4) or any insurance related items are included.

Sincerely,


David Moe

shattuck & grummett, inc.

ESTABLISHED 1894

insurance • bonds

30 SEWARD STREET

Juneau, Alaska 99801

CURTIS G. SHATTUCK
 ALLEN D. SHATTUCK
 ROGER H. SHATTUCK, C.P.C.U.
 BUD JAEGER

MICHAEL A. GRUMMETT
 ROGER GRUMMETT
 NANCY L. HUBBS

F A X T R A N S M I T T A L M E M O

DATE: APRIL 15, 1993

TO: REP. BRIAN PORTER

FAX: 465-3834

FROM: ROGER GRUMMETT

TOTAL PAGES INCL.
 THIS PAGE: 1

FAX: 907-586-3770

RE: ~~SENATE BILL 149~~

AS AN INSURANCE AGENT MY SOLE SOURCE OF INCOME COMES
 FROM MY INSURANCE AGENCY.

I WOULD ASK THAT YOU SUPPORT MY EFFORTS AND THOSE INSURANCE
 AGENTS IN THE STATE OF ALASKA BY DELETING FROM SENATE BILL
 149 THOSE PROVISIONS THAT ALLOW THE STATE CHARTERED BANKS
 TO ENTER THE INSURANCE BUSINESS. THERE ARE OTHER ACTIVITIES
 REFERENCED IN THE BILL THAT WOULD ALLOW BANKS TO ENGAGE
 IN "OTHER ACTIVITIES AUTHORIZED BY REGULATION" OR "APPROVED
 BY THE DEPT OF COMMERCE. THIS WILL TAKE CONTROL OF THE
 BANKS OUT OF YOUR HAND AND INTO A REGULATOR.

THIS MIGHT APPEAR TO BE VERY SELF SERVING, AND IT PROBABLY IS,
 BUT IT IS MY LIVELIHOOD.

YOUR CONSIDERATION WOULD BE APPRECIATED.

THANKS

shattuck & grummett, inc.

Fax Transmittal Memo

To: Representative Brian Porter

From: Roger Shattuck

Phone: (907) 586-2414

Fax: (907) 586-3770

Date: April 15, 1993

Pages: 1 including cover sheet

Re: ~~SALES TAX~~

I urge you to support the insurance agents of Alaska in keeping banks from engaging in unfair competition. Financing is, for most people, a necessary ingredient when buying real estate, autos, boats, etc. Allowing banks to solicit insurance in conjunction with financing would put banks at an unfair competitive advantage. A bank would never give me a copy of insurance policies it issued, showing coverage information, expiration date and premium. Yet I have to give that information to them for policies that I issue. This would give banks a strong and very unfair competitive advantage.

I also urge that banks not be allowed to engage in "other activities authorized by regulations..." or "other activities approved by the department..." Please don't leave the door so wide open to the later expansion of bank activities without legislative review.

Thank you for your consideration of my views.



shattuck & grummett, inc.

ESTABLISHED 1898

insurance • bonds

ROSEWARD STREET

Juneau, Alaska 99801

CURTIS G. SHATTUCK
 ALLEN D. SHATTUCK
 ROGER R. SHATTUCK, C.F.C.U.
 BUD JAGGER

MICHAEL A. GRUMMETT
 RIMBER GRUMMETT
 NANCY L. HURNS

F A X T R A N S M I T T A L M E M O

TO: REPRESENTATIVE BRIAN PORTER 465-3834
 FROM: ALLEN SHATTUCK FAX: 907-586-3770
 DATE: APRIL 16, 1993 TOTAL PAGES INCL. THIS SHEET: 1
 SUBJECT: SENATE BILL 149--SECTION 47

PLEASE VOTE TO RESIST ANY ATTEMPT BY THE BANKS TO RE-INSERT THE WORDING AUTHORIZING SALES AND SERVICE OF INSURANCE. THE COERCIVE POWER OF LENDING INSTITUTIONS GIVES THEM A VERY UNFAIR COMPETITIVE ADVANTAGE AND EVEN THE MOST SUBTLE HINT ABOUT WHERE TO BUY INSURANCE CAN BE EXTREMELY PERSUASIVE WHEN IT COMES FROM THE BANK OFFICER HANDLING YOUR LOAN REQUEST. IT'S NOT IN THE CONSUMER'S BEST INTEREST SINCE IT WILL TEND TO DISCOURAGE THE CONSUMER FROM SHOPPING ANYWHERE OTHER THAN THE BANK FOR HIS INSURANCE.

ALSO, BANKS ROUTINELY REQUIRE THAT WE PROVIDE THEM WITH PROOF OF INSURANCE ON COLLATERAL SECURING THEIR LOANS TO OUR CLIENTS AND THE INFORMATION WE HAVE TO GIVE THEM ONLY ADDS TO THEIR UNFAIR ADVANTAGE.

FURTHER, IT APPEARS THAT ITEM #3 & ITEM #4 IN SECTION 47 ALLOWS OTHER ACTIVITIES AUTHORIZED IN REGULATIONS OR APPROVED BY THE DEPARTMENT. SEEMS LIKE A "BLANK CHECK" TO ADD THE INSURANCE SALES AND SERVICE FUNCTIONS BACK IN LATER WITHOUT ANY LEGISLATIVE OVERSIGHT AND WOULD URGE THAT THESE ITEMS BE DELETED AS WELL.

THANKS FOR YOUR CONSIDERATION OF MY COMMENTS--ALLEN SHATTUCK

ALASKA BUSINESS INSURANCE CORPORATION

FACSIMILE

1400 Benson, Suite 410
Anchorage, Alaska 99503
Phone (907) 272-1825
FAX (907) 272-8223

DATE 04-16-93 PAGES (Incl. Cover) 1

TO Representative Bryan Porter

11940 Business Blvd., Suite 200
Eagle River, Alaska 99577
Phone (907) 694-6860
FAX (907) 694-7109

ATTN _____

FROM _____

RE: _____ POLICY NO. _____

We oppose SB149 in that it expands banks authority to allow them into the insurance business under Sec 06.05.272. It is not in the best interest of the Alaskan consumer. I ask you to vote against this bill if items (3) or (4) or any insurance related items are included.

<i>Anchea Bohone</i>	<i>Lanella Willingham</i>
<i>Charles E. Weir</i>	<i>Betty J. Christie</i>
<i>William C. Moyer</i>	<i>James - [unclear]</i>
<i>Jill L. [unclear]</i>	<i>Ronnie R. McKay</i>



Representative Mark Hanley
Alaska State Legislature

April 14, 1993

John Wheatley
Willis Corroon
4220 B Street
Anchorage, AK 99503

Dear John:

Thank you for your letter pointing out the potential problems with Senate Bill 149.

This bill is currently in House Judiciary and is scheduled for a hearing April 19th at 1 p.m. I have forwarded your comments to Representative Porter, Chairman of the committee, so that they may be considered at the hearing.

Thank you again for taking the time to send me your opinion on this issue. I appreciate hearing from you.

If you have additional questions or concerns about this or any other issue, please feel free to write or call my office at 465-4939.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hanley".

Mark Hanley

WILLIS CORROON



Willis Corroon
Corporation of
Anchorage
4220 B Street
Anchorage, AK 99503
Telephone 907-562-2266
Fax 907-563-6483

April 8, 1993

APR 12 1993

Mr. Mark Hanley
House of Representatives
State Capitol, Capitol Rm. 511/515
Inter. Mail Stop 3100
Juneau, AK 99801-1182

RE: Section 47. AS 06.05 As Amended

Dear Mark,

Senate Bill 149 passed the Senate and is now in the House. The summary of the bill states "An act revising the laws governing financial institutions and relating to trust companies....". I have serious concerns over this piece of legislation.

Sec 47. AS 06.05 is amended by adding a new section to read:

Sec 06.05.272 Bank Subsidiaries. (a) A state bank may purchase or establish and operate one or more subsidiaries engaged in any of the following activities, if the subsidiary has the necessary licenses and permits and the operation is not detrimental to the bank's business:

- (1) real property ownership, development, and leasing;
- (2) insurance sales and services;
- (3) securities brokerage;
- (4) other activities authorized in regulations adopted under this section;
- or
- (5) other activities approved by the department

I believe there is a real conflict of interest with this amendment. This letter is to serve as my formal opposition to this amendment and request you not approve such amendment.

Sincerely,

John Wheatley

JW/fb

*Does SB149 come to Finance?
Put this letter of the
bill packet if it does come
to Finance*

*JW/fb
4/19
1P/12*

Insurance Alaska

April 6, 1993

cc Brian Porter

~~Mark Hanley, State Representative
House of Representatives
Juneau, Alaska 99801~~

Dear Mr. Hanley:

As one of your constituents and a long time Alaska businessman, I respectfully request your support to have Sec. 06.05.272 removed from [REDACTED] at the very least the removal of item (2) of this section.

If this bill is passed without deleting the above section, it will in effect eliminate some 40 or more insurance agencies in Alaska and the loss of more than 150 jobs. Probably the worst part of this senario would be that the banks most likely to engage in these activities would be the out-of-state banks which would mean that the profits from these activities would leave the state to some home office down below.

With things as they are now, Alaska needs to retain all present jobs and we surely don't want any money to leave the state.

Again, I ask for your help on this.

Thank you.

Sincerely,

A. Jay Riggs

J. C. MORRIS INSURANCE SERVICES

April 8, 1993

Rep. Brian Porter
HOUSE JUDICIARY CHAIRMAN
STATE CAPITOL
Juneau, Alaska 99801-1182

938 W. 5th AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE: 272-2524
FAX: 272-3827

Re: ~~SENATE BILL~~ #149

The addition of Sec. 47 AS 06.05 amendment to Sec. 06.05.272 BANK SUBSIDIARIES is of great concern to us, wherein with licenses and permits the Bank could engage in activities other than banking, such as real estate ownership, development and leasing, insurance sales and service, securities and other activities.

These additional activities have historically been prohibited under a Bank's charter and should continue to be. The control of these types of activities would be detrimental to private industry as well as to the general public as it would give the Bank an undue influence for the purchase of insurance or securities at the time a mortgage is consummated.

The Banks have been endeavoring for years to have their operations extended to this type of activity, both thru the Federal and State Legislatures, but the issue has always been disapproved. We ask that this Section be eliminated or removed.

Sincerely,

J. C. MORRIS INSURANCE SERVICES


Von R. Baxter, Sec. -Treas.

CC: Rep. Bill Hudson
Labor and Commerce Chairman

Rep. Brian Porter
House Judiciary Chairman

Alaska Ind. Insur Agents & Brokers, Inc.

WILLIS CORROON



Willis Corroon
Corporation of
Anchorage
4220 B Street
Anchorage, AK 99503
Telephone 907-562-2266
Fax 907-563-6483

April 8, 1993

Mr. Brian Porter
House of Representatives
State Capitol, Capitol Rm. 122
Inter. Mail Stop 3100
Juneau, AK 99801-1182

RE: Section 47. AS 06.05 As Amended

Dear Brian,

~~Senate Bill 149~~ passed the Senate and is now in the House. The summary of the bill states "An act revising the laws governing financial institutions and relating to trust companies....". I have serious concerns over this piece of legislation.

Sec 47. AS 06.05 is amended by adding a new section to read:

Sec 06.05.272 Bank Subsidiaries. (a) A state bank may purchase or establish and operate one or more subsidiaries engaged in any of the following activities, if the subsidiary has the necessary licenses and permits and the operation is not detrimental to the bank's business:

- (1) real property ownership, development, and leasing;
 - (2) insurance sales and services;
 - (3) securities brokerage;
 - (4) other activities authorized in regulations adopted under this section;
- or
- (5) other activities approved by the department

I believe there is a real conflict of interest with this amendment. This letter is to serve as my formal opposition to this amendment and request you not approve such amendment.

Sincerely,


John Wheatley

JW/fb



Alaska Independent Insurance Agents & Brokers, Inc.

April 7, 1993

Representative Brian Porter
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182

RE: SB 149

Dear Representative Hudson:

I understand the act to revise the banking laws (~~SB 149~~) has been referred to the House Judiciary committee, and hearings are to be scheduled in the near future.

Our concern is in item (2) below:

"Sec 47. AS 06.05 is amended by adding a new section to read:

Sec 06.05.272 BANK SUBSIDIARIES. (a) A state bank may purchase or establish, and operate, one or more subsidiaries engaged in any of the following activities, if the subsidiary has the necessary licenses and permits and the operation is not detrimental to the bank's business:

- (1) real property ownership, development, and leasing;
- (2) **insurance sales and service;**
- (3) securities brokerage;
- (4) other activities authorized in regulations adopted under this section;

or

- (5) other activities approved by the department."

We feel that the insurance consumer is best protected by dedicated professional independent insurance agents. We are extremely concerned that if banks are allowed in the insurance business, the consumer may not receive the best insurance coverage, price and professional service that an independent insurance agent is trained to provide. We are also concerned that the status of a requested loan could be affected by the insurance transaction.

We ask that delete item (2) be deleted from this section of the bill. If you would like further information from our association, please feel free to contact me.

Regards,


Gina K. McBride, AAI, CIC
Executive Director



PORTER ■ SPAULDING ■ INSURANCE
 PROPERTY ■ CASUALTY ■ PERSONAL & COMMERCIAL INSURANCE

OUR PHONE NUMBER IS: 1-907-225-9841 • OUR FAX NUMBER IS: 1-907-225-1718

FACSIMILE COVER SHEET

TO: House Labor and Commerce FAX # 1-465-6790

Please deliver the following page(s) to: Chairman Rep. Hudson and Committee Members

CLIENT NAME: _____

POLICY NUMBER: (if any) _____ Expires _____

TOTAL NUMBER OF PAGES: (Including cover page) 1 DATE: 4-7-93 FROM: Arne Iversen

COMMENTS: Reference Senate Bill #149 and in particular Sec. 06.05.272 relating to Bank
Subsidiaries and most importantly the section that says "...if the subsidiary
has the necessary licenses and permits and the operation is not detrimental to
the bank's business: (2) Insurance Sales and Services."

The Independent Insurance Agents and Brokers Associations Nacion-wide have
been fighting this intrusion into our industry for many years...To think the
State of Alaska would entertain a proposal to allow banking into the Insurance
business is unconsciencable. The opportunities for a banking institution to
intimidate borrowers to insure through a given bank is not serving the best
interests of the public.

I strongly urge your committee to stop this bill or at the very least, have
the section on insurance sales and services deleted.

Respectfully,

Arne Iversen

CEO

John R. Barry

President

Stedman Insurance Agency, Inc.

ALL LINES OF INSURANCE

PHONE: 747-8618 • 118 AMERICAN STREET • SITKA, ALASKA 99835

TO: House Judiciary Committee
Representatives, James, Kott
Phillips, Davidson, and Nordlund

Date: 4/7/93

Subject: Senate Bill 149

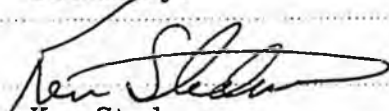
Dear Representative Porter

I urge you to vote no on amending Sec 47 AS 06 05 allowing Banks to enter into the Insurance Sales and Service.

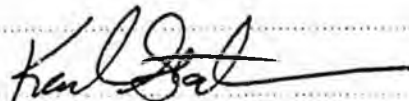
I believe you will be doing the Alaskan consumer a great disservice if this amendment passes.

It is my firm belief that the separation of banking and insurance serves the consumer best. Passage of this amendment will open the gates for banks to tie insurance sales with making loans, knocking out the consumers right to obtain insurance at competitive prices. For years we have been fighting the banks about entering the insurance business at the Federal level. We have been somewhat successful in keeping them out but now it appears that they are trying to sneak in thru a small amendment to existing laws at the Alaska State level. It is important that the Alaskan Consumer's interest be considered ahead of the banking industries interest.

Sincerely:

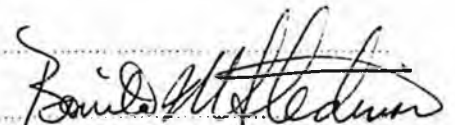

Ken Stedman

Licensed Agent



Karl E. Stedman

Licensed Agent



Bonita M. Stedman

Licensed Agent



**Karen J. Hofstad**

P.O. Box 203 • Petersburg, Alaska 99833

Phone: (907) 772-3858 Days • 772-4770 Evenings • FAX: 907-772-3184

Salmon Can Label and Related Ephemera Collector

April 12, 1993

Rep. Ben Grussendorf
House of Representatives
Juneau, Ak 99801

RE: ~~REDACTED~~ an act revising
laws governing financial institutions..."

Dear Ben:

I feel there is a very strong conflict of interest if SB149 stands as passed the Senate.

Sec 06.05.272 Bank Subsidiaries (a) a state bank may purchase or establish.....
2. insurance sales and service" concerns me very much. I was working in another state where banks were allowed to sell insurance and saw the abuses and how that affected the public!

And I sure don't see the bank industry as setting a very good example with the federal cost involved on mismanagement!

I encourage you to look at this section carefully and delete any opportunity for the banking industry to get into any other industry!

Sincerely,

Karen Hofstad

cc: L&C Chair Rep. Hudson
Judiciary Chair Rep Porter



Alaska Independent Insurance Agents & Brokers, Inc.

April 7, 1993

Representative Brian Porter
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182

RE: [REDACTED]

Dear Representative Hudson:

I understand the act to revise the banking laws (SB 149) has been referred to the House Judiciary committee, and hearings are to be scheduled in the near future.

Our concern is in item (2) below:

"Sec 47. AS 06.05 is amended by adding a new section to read:

Sec 06.05.272 BANK SUBSIDIARIES. (a) A state bank may purchase or establish, and operate, one or more subsidiaries engaged in any of the following activities, if the subsidiary has the necessary licenses and permits and the operation is not detrimental to the bank's business:

- (1) real property ownership, development, and leasing;
- (2) **insurance sales and service;**
- (3) securities brokerage;
- (4) other activities authorized in regulations adopted under this section;

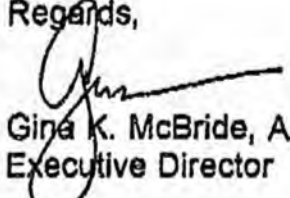
or

- (5) other activities approved by the department."

We feel that the insurance consumer is best protected by dedicated professional independent insurance agents. We are extremely concerned that if banks are allowed in the insurance business, the consumer may not receive the best insurance coverage, price and professional service that an independent insurance agent is trained to provide. We are also concerned that the status of a requested loan could be affected by the insurance transaction.

We ask that delete item (2) be deleted from this section of the bill. If you would like further information from our association, please feel free to contact me.

Regards,


Gina K. McBride, AAI, CIC
Executive Director

April 7, 1993

Representative Brian Porter
Fax 465-3834

Re: [REDACTED]

Sec. 47 AS 06.05

Amendment Sec. 06 05 272 Bank Subsidiaries

I strongly urge you to support removal of items (2) and (3), Insurance Sales and Services or remove the entire ammendment or defeat it in its entirety.

Banks have been seeking loopholes in the law to allow them to become involved in other endeavors that are best served by other businesses. Banks have had plenty of problems dealing with the bank business. What makes people think they are qualified to handle the intricacies of insurance? I certainly don't think they are.

This amendment opens the door for banks to control insurance placement on any loans that they may make, forcing consumers to accept their placement and not allowing the consumer to make a choice.

I hope you will work to stop this amendment.

Sincerely,

Sammy Ferris

April 7, 1993

Representative Brian Porter
Fax 465-3834

Re: [REDACTED]

Sec. 47 AS 06.05
Amendment Sec. 06 05 272 Bank Subsidiaries

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I hope you will work to stop this amendment.

Sincerely,

Venecia J. Hamrick

April 7, 1993

Representative Brian Porter
Fax 465-3834

Re: [REDACTED]
Sec. 47 AS 06.05
Amendment Sec. 06 05 272 Bank Subsidiaries

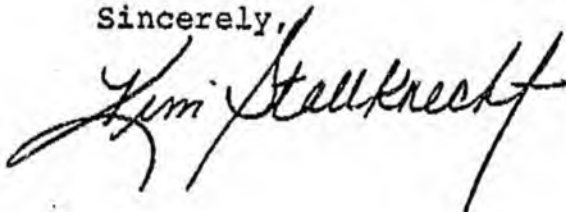
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I hope you will work to stop this amendment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kim Stellknecht". The signature is written in dark ink and is positioned below the typed name "Sincerely,".

April 7, 1993

Representative Brian Porter
Fax 465-3834

Re: [REDACTED]
Sec. 47 AS 06.05
Amendment Sec. 06 05 272 Bank Subsidiaries

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Sincerely,



April 7, 1993

Representative Brian Porter
Fax 465-3834

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I hope you will work to stop this amendment.

Sincerely,

Mary Ann Holmes

April 7, 1993

Representative Brian Porter
Fax 465-3834

Re: 
Sec. 47 AS 06.05
Amendment Sec. 06 05 272 Bank Subsidiaries

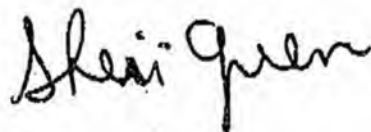
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April 7, 1993

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Fax 465-3834

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I hope you will work to stop this amendment.

Sincerely,

Annually Asper

April 7, 1993

Representative Brian Porter
Fax 465-3834

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Sec. 47 AS 06.05
Amendment Sec. 06 05 272 Bank Subsidiaries

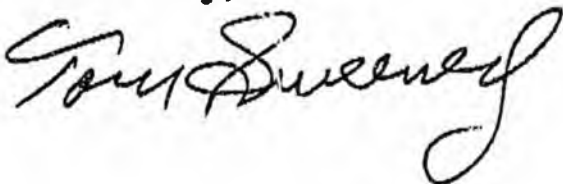
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April 7, 1993

Representative Brian Porter
Fax 465-3834

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Amendment Sec. 06 05 272 Bank Subsidiaries

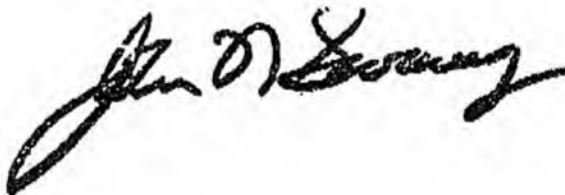
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This amendment opens the door for banks to control insurance placement on any loans that they may make, forcing consumers to accept their placement and not allowing the consumer to make a choice.

I hope you will work to stop this amendment.

Sincerely,





Rentschler Insurance Agency, Inc.

440 Eagle Street
Anchorage, Ak. 99501
(907) 272-8496
FAX (907) 277-1960

April 7, 1993

State Capitol
Juneau, AK 99801-1182

Attn: Judiciary Chair Representative Porter

Re: [REDACTED]

Dear Sir:

As an Independent Insurance Agent in the state of Alaska the above referenced Senate bill causes great concern for my business and our industry as a whole. Your efforts to revise this bill and keep the banking industry separate from the insurance industry will be appreciated.

While the banking industry has a definite responsibility to the financial concerns of the consumers, I do not feel they are qualified as respects the insurance needs of the general public. To allow the banking institutions the opportunity of providing insurance or counsel relative to insurance matters would be a detriment to the insurance professionals as well as the customers.

It is critical that this bill be stopped or at least have "Sec 47.AS 06.05" removed from the bill. Your careful review of the wording and support for our industry as a whole is appreciated.

Sincerely,

A handwritten signature in cursive script that reads 'Laron Rentschler'.

Laron C. Rentschler
President

"Down Town Insurance"
P.O. Box 71410
Fairbanks, AK. 99707

Located: 330 WENDELL St., Fairbanks.
Phone: 907/452-6891 Fax: 907/452-4858

Date: 4-7-93 From: Gordon Deane
To: JUDICIARY CHAIR
Person: REP. PORTER
RE: ~~STATE BILL 111~~ BANK SUBSIDIARIES
This Cover Plus 0 Pages.

Subject: THIS IS VERY DANGEROUS LEGISLATIVE LICENSE. BANKS, ONLY NOW RECOVERING FROM THE DISASTROUS 1980'S COULD ONCE AGAIN CREATE FINANCIAL HAVOC. THEIR PAST EXPERIENCE WITH REAL ESTATE WILL COST TAXPAYERS 300 BILLION. AFTER 34 YEARS IN INSURANCE I CAN TESTIFY TO A HISTORY OF ATTEMPTED CONSUMER ABUSE. ONE OF OUR MAJOR PROBLEMS IS CURBING THE BANKS ATTEMPTS TO ABUSE CREDITORS WITH REGARD TO INSURANCE OF MANY TYPES.

PLEASE HOLD THIS BILL FOR STUDY OR STOP IT. IF ITS WORTH WHILE IT CAN BE BROUGHT BACK WITH PROPER SAFEGUARDS.

PLEASE HAVE YOUR STAFF PHONE ME FOR MORE INFORMATION!

THANK YOU


**NORTHERN
MARINE INSURANCE INC**

April 7, 1993

To: REPRESENTATIVE PORTER/CHAIRMAN; HOUSE JUDICIARY COMMITTEE

SUBJECT: ~~SENATE BILL 149~~
ITEM #2

Dear Mr. Porter:

#2. Insurance Sales and Service:

Please understand that I as an Alaska resident Insurance Agency Owner do not object to new competitors (new agencies) entering the insurance sales field.

I DO OBJECT TO A COMPETITOR THAT WILL HAVE ACCESS TO THE "TRADE SECRETS" AND THE "INTELLECTUAL PROPERTY" OF MY BUSINESS.

Each time I provide a bank with a certificate showing coverage for a property insured through my agency, I have given the bank competitor the coverage information on the property and the "EXPIRATION DATE" of the clients policy. The expiration date allows THE BANK COMPETITOR TO "TARGET" MY CLIENTS WITH A GREAT DEGREE OF ACCURACY.

CURRENTLY I DO NOT PROVIDE MY COMPETITORS WITH A LIST OF MY CLIENTS, AND THE EXPIRATION DATES OF THEIR POLICIES. If Senate Bill 149 passed, every bank in Alaska will have inside information concerning my clients and a very strong competitive edge on my business.

PLEASE DO NOT PASS SENATE BILL 149, OR IF PASSED PLEASE DELETE ITEM #2.

Cordially,



Mike Miller
President, Owner

April 6, 1993

Representative Con Bunde
State Capitol, Room 112
Juneau, AK 99801-1182

Representative Bunde,

I am writing to express my concern regarding a bill recently passed by the Alaska Senate (SB.149). This bill is now being considered by the House Labor & Commerce and House Judiciary committees.

I would strongly urge you to research the ramifications of a section of this bill:

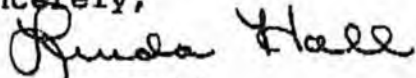
"Sec. 47 AS 06.05 is amended by adding a new section to read

Sec. 06.05.272 (a) A state bank may....operate...:
(1) real property ownership,
development, and leasing
(2) insurance sales and service"

To allow banks to operate as insurance sales and service organizations would be detrimental to the insurance industry and especially to the insurance consumer. Insurance is a highly complex profession requiring detailed technical knowledge. The insurance consumer would not be well served by having banks enter this business.

I would urge you to work to remove number (2) above from this bill. I would be pleased to discuss this matter with you if you have questions

Sincerely,



Linda S. Hall
8100 Red Court
Anchorage, AK 99516

Home Telephone 907-346-3348
Work Telephone 907-276-6662

CC: Representative Hudson
Representative Porter