



STATE OF NORTH DAKOTA  
DEPARTMENT OF BANKING AND FINANCIAL INSTITUTIONS

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CREDIT UNIONS

## MEMORANDUM

**DATE:** January 2, 1998

**TO:** North Dakota State-Chartered Bank Chief Executive Officers

**FROM:** Gary D. Preszler, Commissioner 

**SUBJECT:** Insurance Sales by Banks

Attached please find a copy of an Order Authorizing State-Chartered Banks to Sell Insurance issued by the State Banking Board effective December 2, 1997. The Board granted the authorization after obtaining an Attorney General's Opinion that opined that the Board could make the determination that the sale of insurance is an incidental banking activity. If you would like a copy of the 1997 Attorney General's Opinion, please feel free to contact the Department.

House Bill No. 1060, which became effective August 1, 1997, provided that the State Banking Board may determine by Order or rule any activity for state-chartered banks considered incidental to the business of banking. Before August 1, 1997, the law provided that the bank's Board of Directors determined incidental banking activity.

The fact that the state banking laws for state-chartered banks provided no clear direction as to insurance sales, as many banks have operated on-premise insurance agencies for many years, brought about the need for the State Banking Board to issue the Order.

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The Order provides that insurance sales may take place directly in the bank or through a separate subsidiary. Banks that propose to sell insurance through a newly incorporated subsidiary, or acquire an insurance agency subsidiary, must first obtain State Banking Board approval for the investment in the subsidiary. Banks that propose to sell insurance directly through the bank may do so without State Banking Board approval. All sales of insurance, however, whether done through the bank directly or through a separate subsidiary, must comply with all insurance laws, including registration and licensing requirements. All sales persons must also be licensed through the North Dakota Department of Insurance.

The Order also provides the types of insurance that may be sold and is limited to credit life or accident and health; whole or term life; hail; health; long term care; and fire, property and casualty insurance.

If you have any questions, please feel free to contact the Department of Banking and Financial Institutions.

GDP:sr

Attachment

INSURANCE.MEM



STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

STATE BANKING BOARD

ORDER AUTHORIZING STATE-CHARTERED BANKS  
TO SELL INSURANCE

WHEREAS, House Bill No. 1060 (1997 North Dakota Session Laws, Ch. 78, §4), enacted by the Fifty-fifth Legislative Assembly, effective August 1, 1997, provides that the State Banking Board may determine by Order or rule any activity for state-chartered banks considered incidental to the business of banking,

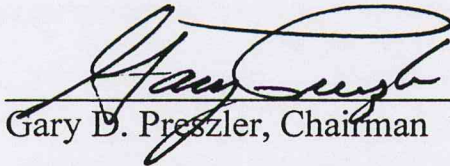
WHEREAS, North Dakota laws do not prohibit banks from directly selling insurance or indirectly through an on-premise insurance agency, or do not limit bank insurance sales geographically or by population.

NOW, THEREFORE, IT IS HEREBY RESOLVED, North Dakota state-chartered banks are authorized to sell insurance as the sale of insurance is considered incidental to the business of banking, and the authorization herein granted is without geographic or population limitations subject to the following conditions:

1. The bank must obtain approval from the Federal Deposit Insurance Corporation if required by the FDIC.
2. The bank can sell insurance products directly, or enter into a rental agreement with an affiliated or non-affiliated insurance agency.
3. The bank may sell credit life or accident and health; whole or term life; hail; health; long term care; and fire, property and casualty insurance.
4. The bank and any bank employees must comply with all North Dakota insurance laws, including registration and licensing requirements.
5. However, State Banking Board approval is required for a bank to invest in or acquire a subsidiary corporation that engages in insurance sales activity.

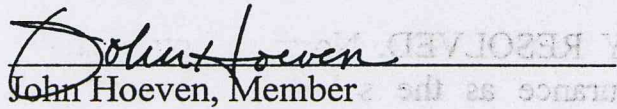
Dated this 2<sup>nd</sup> day of December, 1997, effective immediately.

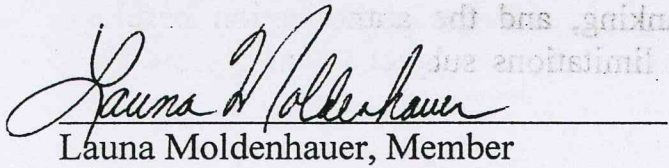
STATE BANKING BOARD

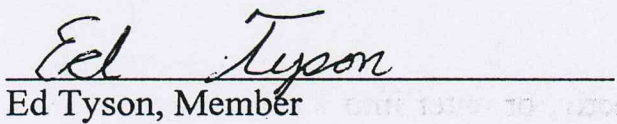
  
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