

1 *Senate* BILL NO. *117*
 2 INTRODUCED BY *Reyer, Madsen, Foster*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT NO
 5 LENDING INSTITUTION LOCATED IN ANY COMMUNITY OF THIS STATE
 6 WHICH HAS A POPULATION OF FIVE THOUSAND OR MORE, NOR ANY
 7 DIRECTOR, OFFICER, OR EMPLOYEE THEREOF, MAY DIRECTLY OR
 8 INDIRECTLY BE LICENSED TO SELL OR SOLICIT INSURANCE OTHER
 9 THAN CREDIT LIFE AND DISABILITY INSURANCE; TO PROVIDE
 10 DEFINITIONS; TO PROVIDE FOR AN EXCEPTION TO ALLOW A LICENSED
 11 AGENT OR SOLICITOR TO SERVE AS A DIRECTOR OF A LENDING
 12 INSTITUTION; TO AUTHORIZE THE INSURANCE COMMISSIONER TO
 13 PROMULGATE REGULATIONS IN ORDER TO ADMINISTER THIS ACT; AND
 14 TO PROVIDE AN EFFECTIVE DATE."

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 Section 1. Purpose. It is the purpose of the
 17 legislature to protect the consumer-borrower's freedom to
 18 choose adequate property and casualty insurance by providing
 19 for a separation in time and place between lending
 20 institutions and the insurance business. Such separation is
 21 further intended to minimize the possibilities of unfair
 22 competitive practices by lending institutions which are
 23 contrary to the interests of consumer-borrowers, to minimize
 24 the possibilities of coercion, either express or implied,
 25

1 and to maintain a competitive market for the purchase of
 2 insurance by consumer-borrowers in this state.

3 Section 2. Definitions. As used in this act:

4 (1) "Lending institution" means any federally
 5 chartered institution which accepts deposits and lends
 6 money, including any bank, bank holding company, savings and
 7 loan association, savings and loan holding company, savings
 8 and loan service company, or any subsidiary or affiliate of
 9 any of these organizations.

10 (2) "Holding company" means: (a) any company which
 11 owns, controls or holds with power to vote fifteen percent
 12 (15%) or more of the voting stock of one or more lending
 13 institutions; or (b) any company which controls the election
 14 of the directors of one or more lending institutions; or
 15 (c) any company, for the benefit of whose stockholders or
 16 members, fifteen percent (15%) or more of the voting stock
 17 of one or more lending institutions is held by one or more
 18 trustees; and for the purposes of this section, any
 19 successor to any company from the date as of which such
 20 predecessor became a holding company.

21 (3) "Affiliate" means: (a) any company which owns,
 22 controls, or holds with power to vote fifteen percent (15%)
 23 or more of the voting stock of a lending institution or its
 24 holding company; or (b) any company which controls the
 25 election of the directors of a lending institution or its

1 holding company; or (c) any company, for the benefit of
 2 whose stockholders or members, fifteen percent (15%) or more
 3 of the voting stock of a lending institution or its holding
 4 company is held by one or more trustees.

5 (4) "Subsidiary" means any company which is an
 6 affiliate of a lending institution or its holding company
 7 and which is controlled by the lending institution or its
 8 holding company directly or indirectly through one or more
 9 intermediaries.

10 (5) "Service company" means any company which is
 11 organized to perform services for a savings and loan
 12 association.

13 (6) "Company" means any corporation, joint stock
 14 company, trust, association, partnership, or individual
 15 engaged in the business of insurance.

16 (7) "Community" means an aggregation of inhabitants
 17 and houses used for various purposes so near to one another
 18 that the inhabitants may fairly be said to dwell together.

19 (8) "Credit life and disability insurance" means
 20 insurance on the life and health of a borrower from a
 21 lending institution to secure the repayment of the amount
 22 borrowed.

23 Section 3. Lending institutions prohibited from
 24 selling insurance other than credit life and disability
 25 insurance. (1) No lending institution located in any

1 community of this state which has a population of five
 2 thousand (5,000) inhabitants or more, nor any director,
 3 officer, or employee thereof, may directly or indirectly be
 4 licensed to sell or solicit insurance other than credit
 5 life, and disability insurance.

6 (2) Nothing in this section prohibits a licensed
 7 insurance agent or solicitor from owning stock in or serving
 8 as a director or as an advisory board member of a lending
 9 institution so long as the business of the agent or
 10 solicitor is not connected in any direct or material way to
 11 the lending institution.

12 Section 4. Severability. If a part of this act is
 13 invalid, all valid parts that are severable from the invalid
 14 part remain in effect. If a part of this act is invalid in
 15 one or more of its applications, the part remains in effect
 16 in all valid applications that are severable from the
 17 invalid applications.

18 Section 5. Effective date. This act is effective upon
 19 passage and approval. Contracts or policies of insurance
 20 currently in force which have been issued by or through
 21 agents or solicitors licensed contrary to the provisions of
 22 this act shall remain in full force as written; however, no
 23 such contract or policy may be renewed or further serviced
 24 by an agent or solicitor licensed contrary to the provisions
 25 of this act.

Approved by Committee
on Business and Industry

SENATE BILL NO. 117

INTRODUCED BY REGAN, MATHERS, FOSTER

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT NO LENDING INSTITUTION LOCATED IN ANY COMMUNITY OF THIS STATE WHICH HAS A POPULATION OF FIVE THOUSAND OR MORE, NOR ANY DIRECTOR, OFFICER, OR EMPLOYEE THEREOF, MAY DIRECTLY OR INDIRECTLY BE LICENSED TO SELL OR SOLICIT INSURANCE OTHER THAN CREDIT LIFE AND DISABILITY INSURANCE; TO PROVIDE DEFINITIONS; TO PROVIDE FOR AN EXCEPTION TO ALLOW A LICENSED AGENT OR SOLICITOR TO SERVE AS A DIRECTOR OF A LENDING INSTITUTION; TO AUTHORIZE THE INSURANCE COMMISSIONER TO PROMULGATE REGULATIONS IN ORDER TO ADMINISTER THIS ACT; AND TO PROVIDE AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Purpose. It is the purpose of the legislature to protect the consumer-borrower's freedom to choose adequate property and casualty insurance by providing for a separation in time and place between lending institutions and the insurance business. Such separation is further intended to minimize the possibilities of unfair competitive practices by lending institutions which are contrary to the interests of consumer-borrowers, to minimize the possibilities of coercion, either express or implied,

and to maintain a competitive market for the purchase of insurance by consumer-borrowers in this state.

Section 2. Definitions. As used in this act:

(1) "Lending institution" means any federally chartered institution which accepts deposits and lends money, including any bank, bank holding company, savings and loan association, savings and loan holding company, savings and loan service company, CREDIT UNION, or any subsidiary or affiliate of any of these organizations.

(2) "Holding company" means: (a) any company which owns, controls or holds with power to vote fifteen percent (15%) or more of the voting stock of one or more lending institutions; or (b) any company which controls the election of the directors of one or more lending institutions; or (c) any company, for the benefit of whose stockholders or members, fifteen percent (15%) or more of the voting stock of one or more lending institutions is held by one or more trustees; and for the purposes of this section, any successor to any company from the date as of which such predecessor became a holding company.

(3) "Affiliate" means: (a) any company which owns, controls, or holds with power to vote fifteen percent (15%) or more of the voting stock of a lending institution or its holding company; or (b) any company which controls the election of the directors of a lending institution or its

1 holding company; or (c) any company, for the benefit of
 2 whose stockholders or members, fifteen percent (15%) or more
 3 of the voting stock of a lending institution or its holding
 4 company is held by one or more trustees.

5 (4) "Subsidiary" means any company which is an
 6 affiliate of a lending institution or its holding company
 7 and which is controlled by the lending institution or its
 8 holding company directly or indirectly through one or more
 9 intermediaries.

10 (5) "Service company" means any company which is
 11 organized to perform services for a savings and loan
 12 association.

13 (6) "Company" means any corporation, joint stock
 14 company, trust, association, partnership, or individual
 15 engaged in the business of insurance.

16 (7) "Community" means an aggregation of inhabitants
 17 and houses used for various purposes so near to one another
 18 that the inhabitants may fairly be said to dwell together.

19 (8) "Credit life and disability insurance" means
 20 insurance on the life and health of a borrower from a
 21 lending institution to secure the repayment of the amount
 22 borrowed.

23 Section 3. Lending institutions prohibited from
 24 selling insurance other than credit life and, disability,
 25 AND GROUP HEALTH AND LIFE insurance. (1) No lending

1 institution located in any community of this state which has
 2 a population ~~of~~ IN EXCESS OF five thousand (5,000)
 3 inhabitants ~~or more~~, nor any director, officer, or employee
 4 thereof, may directly or indirectly be licensed to sell or
 5 solicit insurance other than credit life, and disability
 6 insurance.

7 (2) Nothing in this section prohibits a licensed
 8 insurance agent or solicitor from owning stock in or serving
 9 as a director or as an advisory board member of a lending
 10 institution so long as the business of the agent or
 11 solicitor is not connected in any direct or material way to
 12 the lending institution.

13 Section 4. Severability. If a part of this act is
 14 invalid, all valid parts that are severable from the invalid
 15 part remain in effect. If a part of this act is invalid in
 16 one or more of its applications, the part remains in effect
 17 in all valid applications that are severable from the
 18 invalid applications.

19 Section 5. Effective date. This act is effective upon
 20 passage and approval. Contracts or policies of insurance
 21 currently in force which have been issued by or through
 22 agents or solicitors licensed contrary to the provisions of
 23 this act shall remain in full force as written; however, no
 24 such contract or policy may be renewed or further serviced
 25 by an agent or solicitor licensed contrary to the provisions

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1 of this act.

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