
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 877 Session of
1991

INTRODUCED BY KUKOVICH, HAYDEN, KOSINSKI, CALTAGIRONE, McCALL,
HARPER, CARN, JOSEPHS, VEON, DELUCA AND RICHARDSON,
APRIL 2, 1991

REFERRED TO COMMITTEE ON INSURANCE, APRIL 2, 1991

AN ACT

1 Amending the act of May 17, 1921 (P.L.789, No.285), entitled, as
2 amended, "An act relating to insurance; establishing an
3 insurance department; and amending, revising, and
4 consolidating the law relating to the licensing,
5 qualification, regulation, examination, suspension, and
6 dissolution of insurance companies, Lloyds associations,
7 reciprocal and inter-insurance exchanges, and certain
8 societies and orders, the examination and regulation of fire
9 insurance rating bureaus, and the licensing and regulation of
10 insurance agents and brokers; the service of legal process
11 upon foreign insurance companies, associations or exchanges;
12 providing penalties, and repealing existing laws,"
13 authorizing banks to engage in the insurance business.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. Section 641 of the act of May 17, 1921 (P.L.789,
17 No.285), known as The Insurance Department Act of one thousand
18 nine hundred and twenty-one, added December 30, 1974 (P.L.1148,
19 No.365), is amended to read:

20 Section 641. Certain Lending Institutions, Public Utilities
21 and Holding Companies Not to be Licensed.--(a) As used in this

1 section:

2 (1) "Lending institution" means any institution that accepts
3 deposits and lends money in the Commonwealth of Pennsylvania,
4 including [banks and] savings and loan associations, but
5 excluding banks and insurance companies.

6 (2) "Public utility" means a private employer subject to the
7 jurisdiction of the Pennsylvania Public Utility Commission and
8 engaged in the business of rendering electric, gas, water and
9 steam heat services to the public in this Commonwealth:
10 Provided, however, That the term "public utility" shall not
11 include rural electrification cooperatives.

12 (3) The terms "subsidiary" and "affiliate" shall be defined
13 in the regulations promulgated by the Insurance Commissioner,
14 except that "affiliate" shall not apply to an entity which owns
15 an interest in another company or corporation where the
16 ownership interest is not sufficient to permit exercise of
17 effective control, and does not involve direct or indirect
18 ownership or control of five per centum or more of the voting
19 stock of such company or corporation. Nor shall it apply to an
20 entity whose stock is owned by another, provided that the amount
21 of stock owned by any one company or corporation does not permit
22 effective control and does not exceed five per centum of the
23 voting stock of the entity. The term "affiliate" shall, subject
24 to the provisions to invest in stock contained in this
25 subsection, include [bank holding company,] savings and loan
26 holding company[,] and public utility holding company as
27 hereinafter defined.

28 [(4) "Bank holding company" shall mean and include the
29 definition of such term in section two of an act of Congress
30 entitled the "Bank Holding Company Act of 1956," as amended:

1 Provided, however, That if on or before the effective date of
2 this act, a bank holding company has been granted an exemption
3 by the Board of Governors of the Federal Reserve System pursuant
4 to section 4(d) of the Bank Holding Company Act of 1956, as
5 amended, such bank holding company shall not be held to be a
6 bank holding company within the meaning of section 2 of the Bank
7 Holding Company Act of 1956, as amended.]

8 (5) "Credit life, health, and accident insurance" means
9 insurance on the life and health of a borrower from a lending
10 institution to secure the repayment of the amount borrowed, in
11 accordance with regulations promulgated by the Insurance
12 Commissioner.

13 (6) "Title insurance" shall mean and include the definition
14 of such term in section seven hundred and one of the act of May
15 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law
16 of 1921."

17 (7) A "savings and loan holding company" shall mean and
18 include the definition of such term as defined in Title 12,
19 United States Code, sections 1730a (a) (1) (D), (E), (F).

20 (8) "Public utility holding company" shall mean and include
21 the definition of such term as defined in Title 15, United
22 States Code, sections 79b (a) (7), including electric, gas,
23 water and steam heat services.

24 (9) "Deposits" shall mean and include the definition of such
25 term as set forth in Title 12, United States Code, section 1813
26 (1), (1), (2), (3), (4), (5).

27 (b) No lending institution, public utility, [bank holding
28 company,] savings and loan holding company or any subsidiary or
29 affiliate of the foregoing, or officer or employe thereof, may,
30 directly or indirectly, be licensed or admitted as an insurer or

1 be licensed to sell insurance in this State either as a broker
2 or as an agent except that a lending institution or [bank
3 holding company,] subsidiary or affiliate of a lending
4 institution may be licensed to sell credit life, health and
5 accident insurance and to sell and underwrite title insurance in
6 accordance with regulations promulgated by the Insurance
7 Commissioner.

8 (c) The Insurance Commissioner is authorized to promulgate
9 regulations in order to effectuate the purposes of this section,
10 which are to help maintain the separation between lending
11 institutions and public utilities and the insurance business and
12 to minimize the possibilities of unfair competitive practices by
13 lending institutions and public utilities against insurance
14 companies, agents and brokers.

15 Section 2. The act is amended by adding a section to read:

16 Section 642. Banks Authorized to be Licensed.--(a) As used
17 in this section:

18 (1) "Bank" shall be as defined in section 102 of the act of
19 November 30, 1965 (P.L.847, No.356), known as the "Banking Code
20 of 1965."

21 (2) "Bank and trust company" shall be as defined in section
22 102 of the act of November 30, 1965 (P.L.847, No.356), known as
23 the "Banking Code of 1965."

24 (3) "Bank holding company" shall be as defined in the "Bank
25 Holding Company Act of 1956," (70 Stat. 133, 12 U.S.C. § 1841 et
26 seq.).

27 (b) Banks, bank and trust companies and bank holding
28 companies are hereby authorized to be licensed as insurers and
29 to be licensed to sell insurance as brokers or agents, in
30 accordance with the insurance laws of this Commonwealth and the

1 regulations of the Insurance Department.

2 (c) No bank, bank and trust company or bank holding company
3 shall, either directly or indirectly through any subsidiary,
4 division or third person, in any manner sell insurance to any
5 person, or fix or vary the consideration for insurance on the
6 condition or requirement that: (1) the person shall obtain some
7 additional product, credit or service from such bank, bank and
8 trust company or bank holding company or its affiliate; or (2)
9 the person provide some additional product, credit or service to
10 such bank, bank and trust company or bank holding company or its
11 affiliate other than those related to and usually provided in
12 connection with the purchase of insurance; or (3) the person
13 shall not obtain some other product, credit or service from a
14 competitor of such bank, bank and trust company or bank holding
15 company or its affiliate, other than a condition or requirement
16 that such bank, bank and trust company or bank holding company
17 shall reasonably impose in an insurance transaction.

18 (d) No bank, bank and trust company or bank holding company
19 shall, while an application for a loan, credit or other services
20 previously submitted to such bank, bank and trust company or
21 bank holding company by any person is pending, accept from such
22 person, either directly or through any division or subsidiary,
23 an application for a policy of insurance directly related to the
24 applied for loan, credit or other services, or thereafter accept
25 such an insurance application until such person has received
26 from such bank, bank and trust company or bank holding company a
27 commitment with respect to the applied for loan, credit or other
28 services.

29 (e) Any bank, bank and trust company or bank holding company
30 issuing policies of insurance either directly or through a

1 division or subsidiary, shall disclose or cause to be disclosed
2 to all applicants for such policies and to all policyholders
3 that such policies, if and when issued, are not direct
4 liabilities of such bank, bank and trust company or bank holding
5 company, and that only the assets of the insurance division or
6 subsidiary issuing such policy are applicable to the payment and
7 satisfaction of such policies or claims made thereunder.

8 (f) The Insurance Department shall, by regulation, provide
9 for the adequate disclosure of the prohibitions set forth in
10 subsections (c) and (d) and of the information required to be
11 disclosed under subsection (e).

12 Section 3. This act shall take effect in 60 days.