In the report of the 1954 Subcommittee, Senator McCarran is quoted in reference to the McCarran Act, Public Law 15, which delegated to the states power to regulate the business of insurance, subject to the ultimate authority of the Federal government. Senator McCarran said in part:

"In enacting this law Congress held out an invitation to the States to deal *affirmatively* and *effectively* with the activities and practices of the insurance business which might otherwise be the subject of Federal regulation. . . . The Congress, therefore, has the duty to be vigilant of the public interest. . . . We must recognize that silence on the part of Congress depends primarily, not upon the extent or type of regulation imposed by the various states, or by any state, *but rather upon the success of such regulation*." [Italic supplied.]

The Subcommittee concluded with an admonition that they would "not forever accept 'attempts' at regulation as a substitute for regulation of the business of insurance by the states. The patience of the Federal Government with those who would abuse the good name of insurance may come to an end."

It certainly is time for the Subcommittee to take another look at credit insurance for there is serious doubt whether the states, as a group, are dealing affirmtively and effectively with this problem thirteen years after the Subcommittee's warning.

Those who must borrow or buy on time are, in a financial sense, "the least among us," hardly in a position to pay exhorbitant credit insurance premiums on top of all their other burdens. They need and deserve your assistance.

[From the Washington (D.C.) Wall Street Journal, July 14, 1967]

Senate Unit Studying New York Banks' Allegedly Excessive Loan Insurance Fees

By Stanford N. Sesser, Staff Reporter of The Wall Street Journal

New York.—A Congressional committee is known to be investigating allegations that major New York City banks are reaping a windfall from the instalment loan business by charging rates for life insurance on these loans that exceed the maximum permitted by the New York State Insurance Department.

The investigation is being conducted by the Senate Antitrust subcommittee. The group chaired by Sen. A. Hart (D., Mich.), held hearings in May that exposed widespread credit life insurance abuses in the dealings of finance companies with insurers. The hearings are scheduled to resume in the fall.

While the charges against the New York banks aren't considered as serious as many of the abuses uncovered by the committee in May, they still could have widespread repercussions. An indication that credit life malpractices have spread to some of the nation's largest financial institutions could spur the drive toward Federal regulation of insurance sales.

No details of the committee's investigation of the New York banks could be learned, but conversations with banking and insurance executives and New York State regulators indicate that the controversy centers on the pricing of life insurance for secured loans—loans against which something is pledged. The most common type of secured loan is for the purchase of an automobile.

New York banks offer auto and other secured loans at the rate of $4.75 a year, deducted in advance, for each $100 borrowed. If the borrower asks for credit life insurance, as almost all do, he's told that the charge for his loan will be $5.25 per $100.

This would indicate a charge for life insurance of 50 cents per $100. However, New York State insurance regulations specify a maximum rate of 44 cents for large-volume institutions.

Banks place their credit life business with insurance companies, and technically the 44-cent maximum applies only to the rate that the insurer can charge the bank. But the state's banking law specifies that the bank is governed by the same restrictions in its dealings with the borrower.

The New York banks don't pay the entire 50 cents to the insurance companies with which they deal; they pay only the rate that the insurer has filed with the state insurance department. These rates sometimes are even lower than the 44-cent maximum; it's believed they range all the way down to 38 cents.