

Gingrich's Opposition to Bank Insurance Powers Doesn't Add Up

By



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It's autumn. The kids are back in school, and Congress is in session. But I'm not asking, "Why can't Johnny read?" I'm asking, "Why can't Newt add?"

Fortune magazine recently reported House Speaker Newt Gingrich's reason for backing insurance agent associations and opposing bank insurance powers. "In a typical town, there is one bank president and 130 independent insurance agents," he said. "I do not believe you can ask our freshman congressmen to vote against independent insurance agents and hope to survive. It's that simple."

Whether or not Congressional representatives should vote in favor of bank insurance powers is not "that simple" because the factors in the Speaker's equation are wrong.

According to the Bank Insurance Market Research Group, 2,173 FDIC-insured commercial banks, thrifts and mutual savings banks sold annuities in the first quarter [of 1995]. Depository institutions sell one-third of individual annuity premiums—more than \$16 billion in 1994. In "typical" towns across America, these annuities are sold by thousands of insurance-licensed agents, not by solitary bank presidents.

A recent Financial Institutions Insurance Association (FIIA) survey of 138 banks in 37 states showed that 10,320

licensed agents sell insurance products in those banks.

Opportunities for more bank insurance jobs exist because 40 percent of Americans have no life insurance and need, according to the National Association of Life Underwriters (NALU), \$5 trillion in coverage.

Agent associations like NALU and the Independent Insurance Agents of America (IIAA) do not represent all licensed insurance agents. Only about one-quarter of eligible people belong to these groups.

Truly independent insurance agents see banks as a market opportunity for insurance products. In midwestern states, for example, an estimated 50% of independent agents work for or with bank-owned insurance agencies.

In short, the assumptions underlying Mr. Gingrich's vote-counting on the bank insurance issue are flawed. Yes, NALU and IIAA vociferously oppose bank insurance powers. But bank employees and those directly involved in bank insurance activities constitute more votes than do the membership rolls of the associations.

So what is Speaker Gingrich adding up to arrive at the sum of his equation? He may be counting contributions to political action committees.

From 1979 to 1992, NALU and IIAA were among the top four contributors to

congressional campaigns, giving, respectively, \$7.4 million and \$4.2 million. With \$108,611 as of Sept. 30, 1994, Newt Gingrich was the second-leading recipient in the House of Representatives of PAC money from the health and insurance industries.

Mr. Gingrich's arithmetic is wrong. His writing, on the other hand, makes sense. In his new book, "To Renew America," Speaker Gingrich calls the insurance industry and health care delivery system "large centers of power that charge high costs to individuals without leaving them much alternative. Our job should be to allow innovation and the free market to bring costs down while increasing choice and quality."

That's exactly the principle that undergirds the drive for bank insurance powers. If the Speaker stands high on his free-market principles, his voting equation will reflect the reality that more voters want the benefits of buying and selling insurance products through banks.

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