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Frank M. Fitzgerald, Commissioner

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**DATE:** January 30, 2001

**LETTER NO:** 2001-CU-01

**TO:** The Board of Directors and Management  
of Michigan State-Chartered Credit Unions

**SUBJECT:** Credit Union Bulletin 84-1 Rescinded

### **Purpose of this Letter**

This letter advises credit union officials and other interested parties that the Office of Financial and Insurance Services has rescinded credit union bulletin 84-1. The letter also reiterates some common precautions credit unions should observe if they choose to enter or change insurance business relationships in response to the rescission. Finally, the letter suggests actions that should be taken regarding this communication.

### **Rescission of the Bulletin**

Credit union bulletin 84-1 issued February 8, 1984 addressed insurance premium reimbursements. The bulletin, in combination with the 1980 version of credit union rule 6, prohibited credit unions from receiving any remuneration from an insurance company for insurance sold to the credit union's membership except for limited reimbursement of the credit union's costs attributed to servicing insurance programs.

In 1995 the Michigan Credit Union Act (MCL 490.1; MSA 23.481) was amended to permit state-chartered credit unions to engage in aspects of the insurance business and to own an insurance agency (sections 4(2)(nn) and (oo)). Subsequently, in 1996, credit union rule 6 (R490.6) was amended to permit credit unions to "receive remuneration in connection with making insurance programs available to the credit union's membership, individually or collectively." The part of the old rule that restricted reimbursements to administrative costs was also deleted at that time. Despite these significant amendments to law and rule, bulletin 84-1 remained unchanged and in effect.

Recognizing the bulletin is no longer well supported in law or rule, and with the experiences in this area over the past five years being satisfactory and relatively problem free, the commissioner finds that bulletin 84-1 is no longer necessary. Accordingly, the commissioner has rescinded credit union bulletin 84-1.

The commissioner has also concluded that credit union bulletin 84-2 addressing third party membership services does not have the effect of restricting credit unions' ability to be remunerated for providing third party insurance services to their members.

### **Advisory Comments**

Credit unions may engage in aspects of the insurance business, own an insurance agency, and may receive remuneration for such activities. These activities must be conducted in accordance with current law and rule, including but not necessarily limited to the Michigan Credit Union Act, Credit Union Rules, the Michigan Insurance Code and related rules, and federal law, rules, and regulations.

If conducting third party insurance services, credit unions are reminded to, at a minimum, follow all the guidelines set forth in credit union bulletin 84-2, while remembering that bulletin does not restrict remuneration with respect to insurance services.

Credit unions entering a new insurance activity or changing an existing insurance business relationship should have suitable internal expertise and controls and, as needed, seek outside legal and other counsel.

### **Suggested Action**

This letter should be reviewed at the next board of directors' meeting. Re-review of credit union bulletin 84-2 is also recommended to those credit unions that engage in third party membership services. Finally, it is recommended that this letter be filed with your copy of credit union bulletin 84-1, and that bulletin 84-1 be marked "rescinded – January 2001."

Please be advised that this letter, prior credit union letters, credit union bulletins, the Michigan Credit Union Act, and Credit Union rules can be accessed at the OFIS web site address shown in the letterhead. That site will also give you access to Michigan insurance laws and rules, and links to federal credit union laws, rules, and regulations are provided.

### **Questions**

Questions raised by this letter may be directed to the Division of Financial Institutions at 517-373-6930.

Very truly yours,

Frank M. Fitzgerald, Commissioner  
Office of Financial and Insurance Services