



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

**Conditional Approval #259
November 1997**

October 31, 1997

Mr. Jackson W. Moore
President and Chief Operating Officer
Union Planters Corporation
P.O. Box 387
Memphis, Tennessee 38147

Re: Union Planters National Bank, Memphis, Tennessee ("Bank")
Proposed Acquisition of Operating Subsidiary
Application Control Number: 97-SE-08-0033

Dear Mr. Moore:

This is in response to your August 27, 1997 letter in which you seek Office of the Comptroller of the Currency ("OCC") approval for the Bank's plan to acquire as an operating subsidiary Magna Insurance Company ("MIC") pursuant to 12 C.F.R. § 5.34. Based on the commitments and representations in the Bank's notification letter and other materials, the Bank's acquisition of MIC is hereby approved, subject to the conditions set forth herein.

I. The Proposed Transaction

Union Planters Corporation ("UPC"), the Bank's holding company, has entered into an agreement to acquire Magna Bancorp, Inc. When the acquisition occurs, UPC proposes to consolidate Magnolia Federal Bank for Savings, Hattiesburg, Mississippi ("Magnolia"), a federal savings bank subsidiary of Magna Bancorp, Inc., with various UPC subsidiaries. MIC, another subsidiary of Magna Bancorp, Inc., would be acquired by the Bank as an operating subsidiary.

II. Activities of MIC

MIC is a fully licensed and chartered life insurance company authorized to underwrite and sell as agent, life and health insurance products in 13 states (Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia). The particular policies underwritten and sold by MIC include credit-related life, mortgage, accident and disability insurance to customers of Magnolia and other affiliated lenders, as well as to customers of financial institutions that are not affiliated with Magnolia, and fixed rate annuities. MIC also underwrites, and sells, as agent, term life insurance to customers of Magnolia, and burial insurance, which covers funeral expenses. With respect to the latter, MIC currently holds only 17 policies, which it will continue to service after its acquisition by the Bank. MIC has no plans, however, to continue underwriting and selling burial insurance, and will discontinue these activities upon consummation of its acquisition by the Bank. Finally, MIC underwrites group life insurance offered to all of the employees of Magna Bancorp, Inc., and its subsidiaries.

MIC and its licensed agents are, and will continue to be, subject to various state laws and regulations governing their insurance and annuities activities. Because it markets exclusively through financial institutions, MIC is also subject to the Interagency Statement on Retail Sales of Nondeposit Investment Products (February 15, 1994), jointly issued by the federal bank and thrift regulators.

As an operating subsidiary of the Bank, MIC proposes to continue underwriting and selling, as agent, credit-related insurance in connection with loans made by the Bank; and selling annuities, as agent. With respect to its remaining annuities and insurance activities, the Bank has requested a two-year transition period to establish the permissibility of these activities or to bring these activities into compliance with national banking law.¹ The two-year transition period will allow the Bank to evaluate and, where necessary, to restructure its insurance and annuities activities without the attendant disruption of partial shutdown.

Additionally, MIC currently owns certain nonconforming investment securities. The Bank has requested a two-year period to divest the nonconforming securities.

¹ For example, the Bank may relocate certain of MIC's insurance activities to a place with less than 5,000 inhabitants and, pursuant to 12 U.S.C. § 92, sell, as agent, general insurance and credit-related insurance to customers of unaffiliated financial institutions.

III. Analysis

National banks may engage in activities that are part of or incidental to the business of banking by means of an operating subsidiary.² It is well established that national banks and their subsidiaries may engage in the underwriting and sale of credit-related insurance in connection with loans made by the bank.³ It is also well established that national banks and their subsidiaries may sell annuities to their customers.⁴ The credit-related insurance activities in connection with the Bank's loans, and the agency sales of annuities to be conducted by MIC, are clearly permissible activities for national banks.

As noted above, MIC currently underwrites and sells, as agent, credit-related insurance to customers of unaffiliated financial institutions. MIC also underwrites and sells, as agent, general insurance; underwrites fixed rate annuities; and underwrites group life insurance for employees of its parent bank holding company and other subsidiaries of the parent bank holding company. The Bank has requested a two-year transition period to establish the permissibility of these activities or to restructure the activities to bring them into compliance with national banking law. This transition period would enable the Bank to bring its newly acquired business into compliance, as necessary, within a commercially reasonable period, without incurring the disruption of an abrupt partial shutdown of MIC's annuity and general insurance activity. The OCC has permitted such transition periods in other contexts and finds this one to be reasonable.

The Bank has also requested a two-year period to divest nonconforming securities investments. OCC policy allows a reasonable time period for a bank to bring its newly acquired business into conformance by divesting nonconforming assets. Accordingly, the Bank may divest its nonconforming securities investments within two years.

² 12 C.F.R. § 5.34(c).

³ See Interpretive Letter No. 277 (December 13, 1983); Interpretive Letter No. 283 (March 16, 1984); 12 C.F.R. Part 2; and IBAA v. Heimann, 613 F.2d 1164 (D.C. Cir. 1979), cert. denied, 449 U.S. 823 (1980).

⁴ See NationsBank v. Variable Annuity Life Insurance Company, 115 S. Ct. 810 (1995); Interpretive Letter No. 499 (February 12, 1990), reprinted in [1989-90 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 83,090; Interpretive Letter No. 403 (December 9, 1987), reprinted in [1988-89 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,627; Interpretive Letter No. 386 (June 19, 1987), reprinted in [1988-89 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,610.

IV. Conclusion

On the basis of the representations and commitments in your notification letter and other materials, and subject to the condition set forth below, we conclude that the Bank's application is hereby approved.

The following supervisory conditions are conditions imposed in writing by the agency in connection with the granting of any application or other request within the meaning of 12 U.S.C. § 1818:

1. The Bank shall establish the legal permissibility of all its insurance and annuity activities, other than those the OCC has previously found permissible, or restructure the activities to bring them into compliance with national banking law, within two years of the date of this approval.
2. The Bank shall divest its investments in nonconforming securities within two years of the date of this approval, unless, within that time period, the OCC determines that the investments are permissible.

Please feel free to contact Asa Chamberlayne at (202) 874-5210, or John Graetz at (202) 874-5660, if you have any further questions.

Sincerely,

/s/

Julie L. Williams
Chief Counsel