

THE NECESSITY FOR CHOICE

WHY COOPERATIVE
INSURANCE OPTIONS
MATTER

by

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at

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OBSERVATIONS FROM CHIP FILSON, LONG-TIME CREDIT UNION INDUSTRY EXPERT

WHY LISTEN TO A SPEECH FROM FOUR DECADES AGO? BECAUSE ED'S OBSERVATIONS ARE NOT ONLY TIMELY, BUT TIMELESS. TIMELY, BECAUSE THEY SPEAK TO ISSUES WE FACE TODAY. TIMELESS, BECAUSE SIMPLY, HIS WORDS STILL INSPIRE. ED'S PASSION AND LOGIC CAPTURE A TRANSFORMATIVE ERA. THIS SAME OPPORTUNITY EXISTS TODAY.

LISTEN. BE MOTIVATED. SHARE THE EXCITEMENT THAT COMES FROM LEADING CHANGE.



- This is the third time Ed has focused on the critical role of share insurance in the cooperative system. The S&L's private insurance funds (remember Ohio) were failing, as would the FSLIC in 1987.
- State political leaders were in panic, looking to the federal government to eliminate this local risk/responsibility.
- In 1984, there were 16 private state sponsored credit union insurance funds offering an alternative for state-chartered credit unions to the NCUSIF.
 - However, political leaders were scared by the S&L problems.
 - The credit union funds were being closed, one at a time, by governors or the state regulator.
 - One of the most successful CU options was Wisconsin, which had never suffered a loss and refunded over 2% of each credit union's insured savings when liquidated.
 - Rhode Island's state fund (RISDIC), which had a mixed (credit union/mutual savings bank) fund had just been closed by the governor. NCUA prohibited the CLF from lending to the Rhode Island credit unions in the event of a run.
- So what is at stake in this series of events or panics? Why should these state credit union leaders care? Why use their local political capital to stand up for an option? Why not just let the newly funded NCUSIF take over?

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THE NECESSITY FOR CHOICE: WHY COOPERATIVE INSURANCE OPTIONS MATTER

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- Today Ed's prediction that the insurer would become the regulator has come true. There are still two private funds:
 - ASI, which is authorized in 16 states for state charters, and
 - MSIC, which offers excess insurance coverage (above NCUA's \$250,000) in Massachusetts.
- Ed's closing remarks, that the system only works when there are choices, isn't just about credit union insurance. It is about vendor choice, or choice of partners in initiatives. It is also fundamental to a competitive financial services industry.
 - As credit unions become more bank-like in their ambitions and their mission, sooner or later someone will ask, why do we have this tax-exempt industry doing what the banks do?
- Choice encourages innovation, response to local circumstances, and has been the primary reason why there is a dual chartering system for credit unions.
- And it should be no secret that most of the innovations that federal CUs ultimately relied upon, were first proven out at the state level...not the least of which was share insurance.
- This call to political action, to stand up for what you believe in, is as necessary today as it was 35 years ago.

