

**Insurance Times:** Third party talk: National vendors entering local financial services markets  
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by Bill Connell

"Third-Party" doesn't refer to a midnight gathering at the frat house! No, indeed, "third-party" is a term often heard in banking circles these days. It refers to the vendor company, which assists a lending institution in setting up a retail lobby-style investment and/ or insurance operation. Massachusetts recently passed laws and promulgated regulations which allow banks to compete with stock brokers and insurance agents by selling mutual funds, securities, fixed and variable annuities, life insurance and long term care insurance, and more- thus becoming "one-stop" financial service centers. Some of the more daring and innovative bankers have also invaded the property and casualty insurance business - auto and homeowners - which once was the exclusive domain of insurance agents and brokers. Berkshire Bank in Pittsfield and Middlesex Savings bank in Natick come to mind. Also, Stoneham Savings Bank, Andover Savings Bank, First Federal Savings Bank of America (Fall River, Mass. and Providence, R.I.).

Nationally known vendors and broker-dealers such as Independent Financial, Invest, Essex, Investors Capital, BankMark, LINSICO Private Ledger, Commonwealth Equity Services, Raymond D. James Financial. and Primevest have gotten footholds among Massachusetts banks, credit unions and banking associations.

FISCO Equity, now known as The Financial Companies, out of Lincoln, R.I., had signed up dozens of banks and was leading the pack in New York and the New England states until fairly recently- when mergers and program internalizations apparently caused Bill O'Connell and his partner, Larry Pauley, to retreat from the third-party marketing business and to concentrate on their other insurance interests.

Commonwealth Equity Services out of Waltham, Mass., Infinex Financial, out of Farmington, Conn., Primevest out of St. Cloud, Minnesota, and LINSICO Private Ledger, from Boston and San Diego, came on with a rush to take over the FISCO Equity accounts in Massachusetts and elsewhere.

New entrants such as Bay State Financial of Boston; Barry Armstrong's N.E. Advisory Group in Newton; Investors Capital from Lynnfield, and John Napolitano's U.S. Financial Advisors in Braintree have recently signed on their first lending institutions in the Bay State. They all have successful track records and great resources, so it will be interesting to observe where they take their new client-banks.

For several years Massachusetts bankers were cautious in their approach to these so-called "alternative investments" and "non-traditional investments." Currently, however, every month several applications are filed with both the Massachusetts Division of Insurance and Division of Banks.

Infinex Financial led by Steve Amarante, president, and Steve Nitz, vice president, now has nearly two dozen Massachusetts banks- to add to its 30, or so, Connecticut banks. The twin endorsements by the Connecticut and Massachusetts Bankers Associations have provided considerable financial and marketing support for INFINEX.

LINSICO Private Ledger (LPL), with the energy provided by Kevin Kaeding and Joan Valenti of Kaeding, Ernst and Co. in Marlboro, Mass., has a string of recent sign-ups in western Massachusetts to add their several LPL banks east of Worcester. Bolstered by the addition of Lloyd Eldridge and Jim Petkewich

Kaeding, Ernst is a major player in Massachusetts and elsewhere. Vendors associated with the national market are joining in the contest being waged for Bay State lending organizations. Essex Corp., with a bank in western Massachusetts, BankMark with a bank in north central Massachusetts, and Primevest with a bank on the North Shore, are recent examples.

Two Massachusetts based broker-dealer/ vendors are making their marks, namely Commonwealth Equity Services, Waltham, and Investors Capital Corp., Lynnfield. Ted Charles, Investors Capital Corp. president, has taken his Lynnfield, Mass. company public shortly as a result of phenomenal growth - to the point where ICC has 1,000 investment executives nationwide. ICC is not heavily involved in the bank market, but soon will be, having hired former Invest investment executive Joe Papagni to head up the ICC bank division.

Who's advertising for bank representatives? Independent Financial in an effort to staff all the Sovereign Bancorp branches in Massachusetts, and elsewhere, no doubt. Liberty Mutual Insurance Co. is the parent company, its Liberty Financial subsidiary having merged with Independent Financial, now headquartered out of Manasquan, New Jersey.

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Credit unions are also active in offering investment and insurance products. Greylock Federal Credit Union, (formerly General Electric Credit Union) of Pittsfield, Mass., and Brockton Credit Union, Brockton, Mass., both very large institutions, are among the trail-blazers we are aware of. Both use Credit Union National Association (CUNA) affiliates, CUNA Mutual Life Insurance Co. and CUNA Brokerage Services, Inc. as their facilitators. Thomas G. Callahan is the investment/insurance representative at Brockton and Anthony Clement is the representative at Greylock.

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Recent successes of Kaeding, Ernst/LPL group in the Massachusetts market, include Strata Bank, Medway, Mass., Chicopee Savings Bank, Chicopee, Mass. and Westfield Savings Bank, Westfield, Mass.

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Among Infinex Financial's new accounts are three Massachusetts cooperative banks: Central Bank of Somerville; Mansfield Bank of Mansfield and The Community Bank of Brockton.

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Why should a community bank elect to put an investment/ insurance representative in the bank's lobby? "Jim Mc Donough, president of the Abington Savings Bank, and former Massachusetts Bankers Association chairman, an Infinex subscriber, says, "The public expects banks to become one-stop financial services centers as authorized by the Mass. Legislature. Banks will retain customers, or not, usually, based on how many of the bank's services the customer uses- and this is another worthwhile service. With interest spread margins unreliable, banks need the 'bottom-line' boost that the sale of investment and insurance products will bring." p

Connell is owner of the William A. Connell Insurance Agency, Inc. in S. Weymouth, Mass. and is a former House Chairman of the Banking Committee, Mass. House of Representatives.