



Alliance
of American Insurers

28

OFFICE OF THE
SUPERVISOR OF
DISSEMINATION OF KNOWLEDGE

2000 OCT -5 P 2: 49

October 4, 2000

Communications Division
OFFICE OF THE COMPTROLLER OF THE CURRENCY
250 E. Street, SW, Third Floor
Washington, DC 20219
Attn.: Docket No. 00-16

Ms. Jennifer J. Johnson
Secretary, BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM
20th and C Streets, NW
Washington, DC 20551
Attn.: Docket No. R-1079

Mr. Robert E. Feldman
Executive Secretary
Attn.: Comments/OES
FEDERAL DEPOSIT INSURANCE CORPORATION
550 17th Street, NW
Washington, DC 20429

Manager, Dissemination Branch
Information Management & Services Division
OFFICE OF THRIFT SUPERVISION
1700 G Street, NW
Washington, DC 20552
Attn.: Docket No. 2000-68

Dear Ladies and Gentlemen:

Consumer Protections for Depository Institution Sales of Insurance

The Alliance of American Insurers submits the following comments in response to the joint notice of proposed rulemaking contained in the August 21, 2000, edition of the *Federal Register*. The Alliance is a national trade association representing the interests of more than 300 property-casualty insurance companies. Alliance membership is diverse, including major multi-line writers doing business in every state, as well as regional writers and niche companies. Our membership offers a broad range of personal and commercial insurance products, and in 1998 was responsible for writing close to 10 percent of all direct property-casualty premiums in the U.S.

Definition of "Consumer"

The proposed regulations define "consumer" as "an *individual* who obtains, applies to obtain, or is solicited to obtain insurance products or annuities from a covered person" (emphasis added).

This definition should be expanded to encompass all retail customers of a covered person, including small businesses. While certain customers may be more susceptible to coercion (either express or implied) than others, all entities purchasing insurance from a covered person should be equally protected from the potential for such practices. Covered persons should be required to provide the disclosures contained in the proposed rules to all retail customers and the anticoercion and antitying rules should be extended to transactions between a covered person and any retail customer.

Definition of "Insurance"

The Alliance believes that the proposed regulations should contain a definition of "insurance." Further, the definition employed in the rule should be the definition of insurance contained in section 302(c) of the Gramm-Leach-Bliley Act (GLB).

Since the proposed rules govern sales of insurance by covered persons, it is essential that the term "insurance" be defined in the rules. The definition of insurance contained in GLB is a comprehensive definition that appropriately places a significant amount of weight on determinations made by state insurance regulators concerning product classification. To adopt a different definition of insurance and treat a particular product as insurance for one purpose but not another would only serve to cause confusion among the insurance buying public – the very persons the rules are designed to protect.

Disclosures

Section __.40 concerning disclosures should be modified in order to clarify that the required disclosures must be provided in connection with the purchase of each insurance product or annuity. The language as currently worded ("In connection with the initial purchase of an insurance product or annuity . . ."), might permit a covered person to provide the necessary disclosures only for the first product or annuity a customer obtains from the bank and not for subsequent purchases by the same customer. The Alliance does not believe that this is the intent of GLB or the proposed rule. Accordingly, the rule should be amended to make its intent clear.

Likewise, section __.40(b)(1) relating to the timing and method of such disclosures should be amended to provide that the required disclosures must be provided orally and in writing before the completion of each sale of an insurance product or annuity to a consumer.

Further, section __.40(b)(5) should be amended to provide that a written acknowledgment must be received by the covered person at the time of each purchase by the consumer of an insurance product or annuity.

With respect to the timing of the required disclosures when insurance will be offered in connection with an application for an extension of credit, the Alliance believes that the proposed rule should be amended to require the completion of the credit transaction before insurance or annuities can be offered or sold. Accordingly, the antitying disclosures would not be necessary until such an offer or solicitation is made.

Requiring banks to hold off on offering insurance until a decision has been made concerning a loan application is consistent with the laws and regulations currently in place in many states on this issue. Such a restriction does not pose an undue burden on covered persons, but rather, serves to protect the insurance buying public from the implied coercion that many customers might feel when offered an insurance product at the same time the customer applies for an extension of

credit. Regulating the timing of the offer serves a far greater protective function than regulating the timing of the disclosures in this regard.

Likewise, in order to best protect consumers, the provisions relating to offers of insurance “in connection with” a loan should be amended to clarify that they apply to offers of **any** insurance product or annuity in conjunction with a loan. In other words, the disclosures required by the proposed rule and the timing restriction advocated by the Alliance should not be limited to only those situations where the insurance offered relates to the subject matter of the loan (i.e. – an offer of auto insurance when applying for a car loan or an offer of homeowners insurance when applying for a mortgage).

Referrals

Section __.50(b) should be amended to clearly state that referral fees constituting a percentage of commissions earned on the sale of an insurance product or annuity are prohibited.

Thank you for the opportunity to comment on these proposed rules. Please do not hesitate to contact me should you require any additional information or clarification.

Sincerely,

A handwritten signature in black ink, appearing to read "Joyce E. Kraeger". The signature is fluid and cursive, with the first name "Joyce" being the most prominent part.

Joyce E. Kraeger
Attorney – Regulation, Tax, Law & Claims