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October 5, 2000

Manager
Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, N.W.
Washington, DC 20552

2000 OCT -5 P 2:46
DISSEMINATION BRANCH
OFFICE OF THRIFT SUPERVISION
1700 G STREET, N.W.
WASHINGTON, DC 20552

Re: Docket No. 2000-68

Dear Manager:

I am writing this letter on behalf of the Michigan Association of Insurance Agents in response to your request for comments on proposed insurance consumer protection rules as set forth in 12 CFR Part 14, et al. These comments are also being sent to the to the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

The Michigan Association of Insurance Agents (MAIA) is a statewide Michigan association representing in excess of 10,000 independent agents and staff. It is the largest association of insurance agents in the state of Michigan. The MAIA members sell all lines of insurance coverages.

Lending institutions have been authorized to sell all lines of insurance in Michigan since early 1995 when Public Act 409 of 1994 (MCL 500.1243, et al.) went into effect. This statute, which had the unanimous support of Michigan's banking industry and has now been in place for over five years, provides consumer protections in the sale of insurance products and services by lending institutions.

This Michigan statute provides protection to *all* consumers who may be solicited to purchase insurance from a lending institution, whether or not in conjunction with a loan. This includes individuals as well as business entities. Your proposed rules are limited to providing protections only to *individuals* and do not provide protections to *all* retail customers, including business entities. This limitation results from the narrow definition of "*Consumer*" as set forth in proposed Rule 536.20.

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Business entities are at risk, just as individuals, when the sale of insurance is combined with the lending of money, and therefore, should receive the same protections. Consider situations where a business needs capital, or a line of credit, or any other lending need in order to expand or even survive. Shouldn't they be free from potential coercion to place their workers compensation coverage, or their malpractice coverage in the case of professionals, or their business liability insurance with a lender in hopes of obtaining the loan? Clearly, business entities should be protected by the same anti-tying provisions as individuals since they face the same potential problems when the sale of insurance is combined with the lending of money.

We strongly urge that the proposed rules be expanded in their application to cover business entities, as well as individuals, by broadening the definition of consumer as set forth in Section 536.20 to include all retail customers of a lender.

In addition, the proposed rules contain provisions describing where insurance activities may take place. Specifically, proposed Rule 208.85(a) states that lenders must, to the extent practicable, keep where the area where the bank conducts transactions involving insurance products or annuities physically segregated from areas where retail deposits are routinely accepted from the general public, identify the areas where insurance product or annuity sales activities occur, and clearly delineate and distinguish those areas from the areas where the lenders retail deposit taking activities occur. However, there is no discussion about separating the areas where insurance activities take place from areas where *lending* activities take place, as is provided in our Michigan statute.

It is important for the enforcement of any meaningful anti-tying provisions to separate *lending activities* and insurance sales to the extent possible. Absent meaningful separation of lending activities and insurance sales, disclosure requirements and other safeguards become much more difficult to enforce.

We strongly urge that the provisions in the proposed rules requiring the physical separation of transaction involving insurance products from areas where deposits are taken be expanded to require separation from areas where lending activity takes place by amending proposed Rule 536.50(a).

You invite comment on whether the follow activities should be considered an activity on behalf of a lending institution:

... the use of the name or corporate logo of the holding company or other affiliate, as opposed to the name or corporate logo of the depository institution in documents evidencing the sale, solicitation, advertising, or offer of an insurance product or annuity.

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... the sale, solicitation, advertising, or offer of an insurance product or annuity at an off-premises site that identifies or refers to the holding company or other affiliate, as opposed to the depository institution, or uses the name or corporate logo of the holding company or other affiliate.

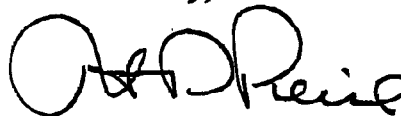
We think the above should be considered an activity on behalf of the lending institution because, if not, a loophole would exist whereby a lender could use the name or corporate logo of its holding company or other affiliate or refer to its holding company or other affiliate in the sale, solicitation, advertising, or offer of insurance products as a means of getting around the protections in the rules.

Therefore, we strongly urge that the rules be amended to consider the activities set forth above an activity on behalf of the lending institution.

Finally, we think it would be helpful to include a second appendix restating the statutory requirements set forth in Section 47(g) relating to the general framework for determining the effect of the proposed rules on state law. A second appendix would be *most helpful* for anyone performing an analysis as to whether the proposed rules or state law governs a particular activity.

We appreciate the opportunity to submit these comments on the proposed rules. We would like to reserve the right to submit additional comments as they rules progress through the promulgation process. Of course, if you have any questions or would like any additional information, please feel free to contact us.

Sincerely,



Robert Pierce
CEO