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Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th and C Streets, N.W.
Washington, DC 20551

Re: Docket No. R-1079: Consumer Protections for Depository Institution Sales of Insurance

Communications Division
Office of the Comptroller of the Currency
250 E Street, S.W., Third Floor
Washington, DC 20219
Attention: Docket No. 00-13

Re: Docket No. 00-16: Consumer Protections for Depository Institution Sales of Insurance

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/OES
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Docket No. RIN 3064-AC37: Consumer Protections for Depository Institution Sales of Insurance

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

Re: Docket No. 2000-68: Consumer Protections for Depository Institution Sales of Insurance

Ladies and Gentlemen:

Citigroup Inc. ("Citigroup") is pleased to submit this response to the request for comment by the agencies to their Proposed Regulations concerning Consumer Protections for Depository Institution Insurance Sale of Insurance ("the Proposed Regulations"), 65 Fed. Reg. 50882 (August 21, 2000), published pursuant to section 47 of the Federal Deposit Insurance Act (FDIA), which was added by Section 305 of the Gramm-Leach Bliley Act (the "GLB Act"). Citigroup is a financial holding company whose subsidiaries include Travelers Insurance, one of the largest, best-known group of life, annuities and property-casualty insurance companies in the country. Citigroup's subsidiaries also include Citibank, N.A., its primary depository institution subsidiary, Citibank, Federal Savings Bank, CitiFinancial, its primary consumer finance subsidiary, and SalomonSmithBarney, its retail securities and investment subsidiary, all of whom engage, either directly or through their subsidiaries, in the sale of insurance and annuities and whose activities may be affected by the Proposed Regulation.

The Proposed Regulations carry out a directive found in Section 305 of the GLB Act, which requires the federal banking agencies to issue joint consumer protection regulations governing the sale of insurance products by depository institutions and persons acting on behalf of the institution.

Summary

Citigroup believes that the Proposed Regulations should focus on the transactions for which the GLB Act requires protections. If the Proposed Regulations are overly broad, they will discourage affiliations and cross-marketing programs between insurers and depository institutions, which would clearly be contrary to the purpose of the GLB Act. Focusing on the transactions will narrow the scope of the Proposed Regulations, allow appropriate distinctions to be made between different types of insurance products and provide needed flexibility to accommodate the different means by which insurance may be sold.

Definition of Consumer

Nothing in the GLB Act suggests that Congress intended to extend consumer protections to small business concerns. Citigroup recommends that Section__. 20 (c) be modified to define "consumer" to mean "an individual who purchases insurance products or annuities for personal, family or household purposes."

If the definition of "consumer" included small business concerns, one would also need to engage in the difficult task of defining the term "small business", which would include determining the type of small business concerns that should benefit from these Proposed Regulations. In addition, those who purchase for other reasons other than personal, family, household purposes are more sophisticated insurance purchasers who do not need the additional protection of the Proposed Regulation.

Covered Person

Section ___. 20 (e) of the Proposed Regulations defines the term "covered person". This term is not defined in Section 305. In fact the term "covered person" never appears anywhere in Section 305. Citigroup submits that this term is unnecessary. Instead, we recommend that developing an appropriate definition of the term "on behalf of " is more consistent with the statutory language and Congressional intent, and would protect the interest of insurance consumers.

If you elect to define the term "Covered Person", however, Citigroup submits that the proposed definition is too broad. As drafted, the Proposed Regulations would encompass ALL insurance sales activities of a "covered person", including those sales activities in which a depository institution has no direct or indirect involvement. If it makes sense to limit the scope of the Proposed Regulations as applied to subsidiaries of depository institutions, then it also makes sense to limit the scope of the Proposed Regulations to instances in which a consumer's insurance purchasing decision may be influenced by the acts of the depository institution. We urge you to clarify that the Proposed Regulations only apply in instances in which a person sells insurance on behalf of a depository institution.

On behalf of

Section 305 does not define the phrase "on behalf of". In our view, the Proposed Regulations' definition of "on behalf of" (which is found in Section___. 20 (e)) is overly broad.

The Proposed Regulations are designed to address the twin concerns of confusion and coercion. These concerns seem most likely to arise when a bank is in a position to influence a consumer's choice. A bank is most likely to influence an insurance consumer, for example, when the bank: 1) markets insurance directly; 2) permits others (including

non-affiliated entities) to market on the premises of the bank; or 3) recommends and/or sponsors insurance products offered by a specific insurance agent and/or company. We submit that these are the only circumstances in which the insurance consumer needs the protections afforded by the Proposed Regulations and should be reflected in any definition of the phrase "on behalf of". We propose that Section ____. 20 of the Proposed Regulations define "on behalf of " as:

1. The solicitation or sale of insurance by a depository institution;
2. The solicitation or sale of insurance on the premises of a depository institution by an entity that itself is not a depository institution; or
3. The solicitation or sale of insurance as a result of a recommendation made or directed by a depository institution by an entity that itself is not a depository institution..

In no event should the phrase "on behalf of" include acting as an underwriter or issuer of an insurance policy.

The phrase "on behalf of" should not encompass sharing of logos and/or similar names with a depository institution, its affiliates or its holding company. Doing so would extend the Proposed Regulations to transactions in which a depository institution has no involvement, direct or indirect, in the sale of insurance. That the Proposed Regulations do not apply automatically to direct subsidiaries of depository institutions acknowledges that the focus should be on the circumstances that give rise to the need for protection, not mere affiliation. We suggest limiting the scope of "on behalf of" to those cases in which the name of the depository institution is used in connection with the sale of an insurance or annuity product.

Although few insurers belong to a financial holding company system, many insurers are part of unitary thrift holding companies. The sharing of logos and or similar names with a depository institution, its affiliates or its holding company would require these companies and independent agents who sell their products to issue disclosures and otherwise comply with the Proposed Regulations merely because of their affiliations. As a result, this would discourage cross-ownership of and cross marketing between financial institutions, which runs counter to the GLB Act objective of removing barriers to bank-insurance affiliations.

We also request clarification and examples of the circumstances when the payment of fees to a depository institution results in that person being deemed to act on behalf of a depository institution in connection with the sale of an insurance product. For example, if a depository institution sells its customer list to an insurer for a fee of $10 per name, that insurer should not be considered acting on behalf of the depository institution.

Disclosures

The disclosure requirements of the Section_____. 40 (a) of the Proposed Regulations should acknowledge differences in insurance products and the circumstances surrounding their sale. Most of these disclosures (insurance is not a deposit, not FDIC-insured and is not bank guaranteed (Section_____. 40 (a)(1) and (2)) are "borrowed" from the Interagency Guidelines for the Sale of Nondeposit Investment Products. These guidelines make sense in the context by helping to prevent consumer confusion with bank deposit products with investment characteristics and products such as mutual funds. In some cases, consumers were confused and purchased these investments because they thought such investments were FDIC-insured. Requiring these disclosures when a bank is involved in the sale of certain life insurance and annuities products is appropriate.

The GLB Act requires these disclosures of uninsured status only "as appropriate." These disclosures, however, do not make sense-- and, accordingly, are not appropriate-- when required in connection with the sale of other insurance products such as an auto policy. No evidence exists that consumers assume that an auto policy is FDIC-insured because that policy is sold by a bank, on bank premises or by a bank affiliate. Indeed, in instances in which Travelers Insurance has given such notices as required by state law, it has caused confusion among our property casualty insurance consumers. In such instances, they wanted to know if something was wrong or otherwise awry because they had never received a disclosure such as this before in connection with the sale of an auto insurance product.

We also submit that the disclosure set forth in Section_____. 40(a)(4) seems appropriate only when insurance is required in connection with a loan. In this circumstance, the disclosure is designed to avoid coercion when, for example, the insurance consumer applies for a mortgage and insurance.

We also suggest the final regulation should not provide specific methods of calling attention to the disclosures. Doing so would dictate the format of the medium in which the disclosures would appear.

Written Acknowledgement

Although the Proposed Regulations recognize that insurance is sold through a variety of means, and not just on the premises of a depository institution, the written acknowledgement requirements remain overly burdensome for transactions that occur over the phone or through direct mail. We note, first, that the GLB Act does not require written acknowledgement, and we would suggest, therefore, that the final regulation not require written acknowledgement either. Should the agencies determine, however, that written acknowledgement is preferable, it should not be mandated for telephone or direct mail sales. Instead, we suggest a limit on the number of requests an agent or insurer must send in an effort to get the consumer to sign and return the acknowledgement form. Since some people will not respond, no matter how much they are contacted, we suggest that

the final regulation require, at most, that only two notices be sent, an idea that the Commonwealth of Pennsylvania adopted in its statutes.

We also suggest that for telephone sales the acknowledgement form be delivered when the insurance company and/or agent delivers the insurance policy. In most instances, legally required notices are delivered with the policy. Unless the Proposed Regulations are modified, insurers engaged in cross-marketing programs with banks would have to establish a new process to ensure that notices can be delivered in the time frame specified by the Proposed Regulations. Changing the Proposed Regulations would eliminate the costs and administrative burden of sending separate notices for customers when the only difference is the channel through which the customer purchased insurance.

Advertisements

We request clarification and examples of when disclosures must be used in advertisements. In view of the suggestions we have made above, we would recommend that the Proposed Regulations exempt mass mailings or advertisements of a general nature in which an individual is not targeted.

Qualifications

Section____. 60 of the Proposed Regulations holds a depository institution accountable for ensuring that non-employees of the depository institution obtain insurance licenses. It is not possible for a depository institution to know whether a person who is not an employee and sells insurance on the premises of the depository institution is "at all times appropriately qualified and licensed"(Emphasis Supplied). We request a revision to Section____. 60 of the Proposed Regulation to make it clear that a depository institution must require only its employees to obtain a license if the employee engages in insurance sales activities that require a license.

Internet Websites

Because the sale of insurance over the Internet is a rather recent phenomenon, we urge you eschew adopting rules that may prove inflexible or make it difficult to take advantage of the advances in technology.

For example, we submit that the general introduction page of a website that lists the products and services that are available is not the page on which any disclosures required by the Proposed Regulations should appear. Because the introduction pages would not discuss specific products, placement of the disclosures on such page would not be meaningful to the consumer. Instead, we suggest that the disclosures either appear on the page of the website that permits the consumer to obtain a quote and/or apply for a specific insurance product or be provided via a link from that page to the page on which the disclosures appear.

We appreciate this opportunity to comment on the Proposed Regulations. If you have any questions or you would like us to provide additional information, please do not hesitate to contact Daniel Jackson at (860) 277-4012 or Edward Handelman at (212) 559-3677.

Very truly yours,

Carl V. Howard
General Counsel – Bank Regulatory