



## CONSUMER PROTECTIONS FOR BANK SALES OF INSURANCE

FIL-84-2000

December 5, 2000

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Final Rule on Consumer Protections for Bank Sales of Insurance*

The Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision have jointly adopted the attached consumer protection final rule concerning retail sales of insurance products by a depository institution. The final rule's effective date is April 1, 2001.

The final rule applies to retail sales, solicitations, advertising, or offers of insurance products or annuities made by the bank, by any person at an office of the bank, or by any person outside a bank if the transaction is made on behalf of the bank. A transaction is considered "on behalf of" the bank when:

- an authorized person represents that the transaction is on the bank's behalf;
- the bank refers a consumer to a seller of insurance, and the bank receives commissions or fees (under a contractual arrangement) derived from a sale resulting from that referral; or
- documents evidencing the sale, solicitation, advertising, or offer of an insurance product or annuity identify or refer to the bank.

The final rule prohibits the bank, or anyone acting on the bank's behalf (a "covered person"), from engaging in any practice that could mislead someone or otherwise cause a reasonable person to reach an erroneous belief about:

- the uninsured nature of any insurance product or annuity;
- the investment risk associated with certain products, such as variable annuities; and
- the fact that the approval of a credit extension cannot be conditioned on the purchase of an insurance product or annuity from the bank, and that the consumer is free to purchase the insurance product or annuity from another source.

The final rule requires that the covered person provide the consumer appropriate disclosures to avoid customer confusion in these areas. The disclosures must be provided both orally and in writing before the completion of an initial sale to a consumer. The covered person must also obtain a written acknowledgement or receipt of the disclosures from the consumer. Short-form disclosures are appropriate for television broadcasts, ATM screens, billboards, signs, posters and written advertisements and promotional materials. The disclosures would not be required in advertisements of a general nature that merely describe or list insurance services or products offered.

Under the final rule, sales of insurance must be kept physically segregated - to the extent practicable - from the area where retail deposits are routinely accepted from the general public, such as the teller line and window. Areas where retail deposits are only occasionally taken, such as platform sales areas, would be exempt from the physical separation requirements.

For more information, please contact your FDIC regional office or Keith A. Ligon (202-898-3618) in the Division of Supervision or Michael B. Phillips (202-898-3581) in the Legal Division.

Michael J. Zamorski  
Acting Director

Attachments: Dec. 4, 2000, *Federal Register*, pages 75822-75848

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