



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Division of Supervision

**BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION
OFFICE OF THE COMPTROLLER OF THE CURRENCY
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February 28, 2003

Ms. Beth L. Climo
Executive Director
American Bankers Insurance Association
1120 Connecticut Avenue, NW
Washington, D.C. 20036

Mr. James D. McLaughlin
Director
Regulatory and Trust Affairs
American Bankers Association
1120 Connecticut Avenue, NW
Washington, D.C. 20036

Re: Insurance Consumer Protection Rules

Dear Ms. Climo and Mr. McLaughlin:

This is in response to your letter dated March 6, 2002, in which you requested our agencies to clarify the position we expressed in our August 17, 2001 letter concerning the applicability of the disclosure requirements in section 305 of the Gramm-Leach-Bliley Act¹ ("GLBA") and our insurance consumer protection regulations² to renewals of insurance policies sold prior to October 1, 2001 ("pre-existing policies"). Your request provided additional information concerning the feasibility and practicality of providing the insurance and credit disclosures in connection with renewals of pre-existing policies.

Our August 17, 2001, letter stated that while other sections of the agencies' regulations implementing section 305 of the GLBA apply to renewals, the disclosure requirements in 12 C.F.R. §§ 14.40, 208.84, 343.40, and 536.40 do not apply to renewals. However, the letter also indicated that these disclosures "should be made" to customers at the time of the first renewal if a policy was initially sold before the rule's effective date (October 1, 2001) and the consumer did not receive the disclosures at the initial sale. You expressed concern in your March 6 letter that this position posed significant practical difficulties for depository institutions.

You also stated in your March 6 letter that nothing in section 305 of the GLBA suggests that the insurance and credit disclosures are required in connection with renewals of pre-existing policies.

In supplementary materials submitted by Ms. Climo on June 12, 2002, you reiterated your position that section 305 of the GLBA by its terms does not necessarily require that the

insurance and credit disclosures be made in connection with renewals of pre-existing policies. In addition, you provided a detailed explanation as to why it would be difficult for depository institutions to make the disclosures in connection with renewals of pre-existing policies. You stated that a depository institution typically has no contact with the customer after the depository institution sells the customer an insurance policy, and the underwriter (or its agent) completes the renewal of an insurance policy.

In addition, you noted that a depository institution usually does not have lists of customers who purchased insurance offered by an agent who solicited on behalf of the depository institution prior to October 1, 2001, nor do agents that sold insurance policies prior to October 1, 2001, on behalf of a depository institution always track the source of their insurance business after the policies are in effect. You advised us that it would be very difficult, or impossible, for an agency to examine its records and determine solicitations and sales on behalf of a depository institution.

On the basis of this additional information, as well as the terms of section 305 of the GLBA itself, this is to clarify that our implementing regulations do not **mandate** disclosures for renewals of policies sold prior to October 1, 2001. Accordingly, in our view section 47(c)(1) of the Federal Deposit Insurance Act, 12 U.S.C. § 1831x, as added by section 305 of the GLBA, and our implementing regulations at 12 C.F.R. §§ 14.40, 208.84, 343.40, and 536.40, do not require that the disclosures be furnished at the time of renewal of a policy, including a pre-existing policy. Renewals, however, continue to be subject to the other provisions of section 305 of GLBA and the agencies' regulations. Moreover, we also expect that, consistent with applicable safety and soundness requirements, depository institutions will take reasonable steps to avoid customer confusion in connection with renewals of pre-existing policies.

We hope that this clarification is helpful and responds to the concerns you have expressed on behalf of your members.

Sincerely,

J. Virgil Mattingly, Jr., General Counsel
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¹12 U.S.C. § 1831x.

² 12 C.F.R. Parts 14, 208, 343, and 536.