



American  
Bankers  
Association

American Bankers Insurance Association  
*an ABA subsidiary*

# Basic Bank-Insurance Compliance

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# Compliance Basics



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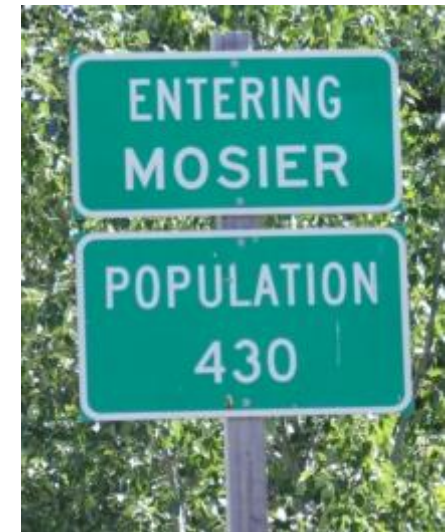
# Complex Regulatory Environment



- Know what regulations to comply with

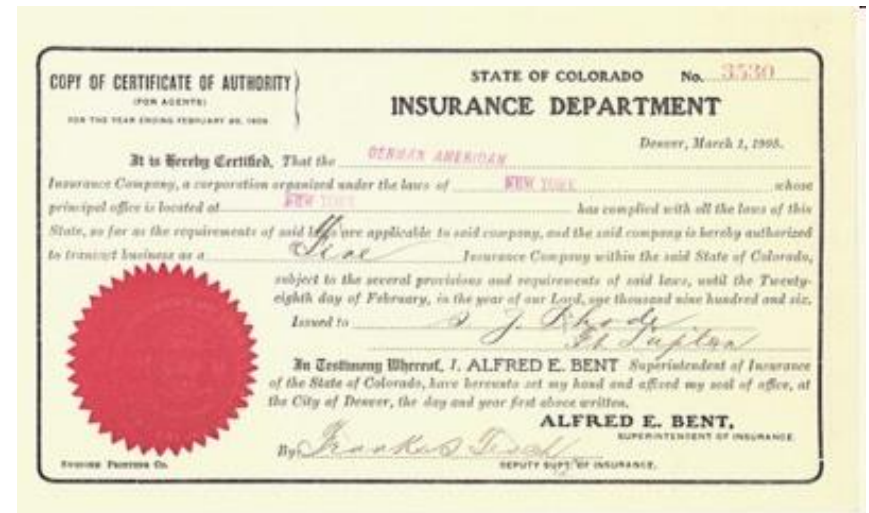
# Authority of Banks to Sell Insurance

- Ben's Bank, a national bank located in Kentucky, wants to sell insurance
  - *Small town requirement* applies to national banks and its *operating* subsidiaries
  - State-chartered banks
  - Exception for *financial* subsidiaries
- Sharing space and employees in bank branches



# Insurance Licensing

- Does Ben's Bank need to be licensed as an agency?
- Which Ben's Bank employees need to be licensed to sell insurance?
- What types of licenses are needed?
  - Lines



# Insurance Producer Compensation

- PLMA: customer must acknowledge disclosure of compensation before purchase
- New York Regulation 194





# Bank-Insurance Sales Regulations

- Are insurance sales being made by or on behalf of Ben's Bank?
  - Office of the bank
  - “On Behalf of” the bank
  - Separation

# Insurance Commissions

- When can licensed insurance producers of Ben's Bank share their insurance commissions with others?
  - Administrative tasks
  - Teller referrals
  - Leasing space
  - Advertising
  - Bonus arrangements





# Disclosures

- Ben's Bank insurance producers must provide oral and written disclosures during in-person sales
  - Mail
  - Telephone
  - Internet
- Written acknowledgement required

**Not a deposit**  
**Not FDIC insured**  
**Not insured by any Federal government agency**  
**Not guaranteed by the bank**  
**May go down in value**



# Privacy

- Ben's Bank must protect its *consumer* and *customer* information under GLBA
- A consumer fills out an application for insurance:
  - If Ben's Bank, as a national bank, is the insurance agency, it must comply
  - If Ben's Insurance Agency, a subsidiary of Ben's Bank, sold a policy to a Bank account holder, state law will apply
    - Exception if insurer complies with privacy laws



# Privacy

- Ben’s Bank, as the “financial institution” responsible for compliance, must:
  - Send an initial privacy notice
  - Send an annual privacy notice
  - Contents
- Must Ben’s Bank provide its customers with an opt-out?
  - See page 16 of 2011 Compliance Handbook



# Privacy

- Ben's Bank has gathered valuable information about its consumers from their applications for products and services, and from customers throughout the life of their relationships with Ben's Bank.
- Can Ben's Bank share that information with its affiliates? Can Ben's Bank affiliates use that information for marketing purposes?
  - Sharing
  - Using



# Privacy

- GLBA model privacy disclosures for various circumstances
- See 2011 Compliance Handbook Appendix B, page 69

# Telemarketing

- Ben's Bank wants to sell insurance or other products and services over the phone. What should it do?
  - Do Not Call Lists
  - Established Business Relationships
    - Affiliates & Upsells
  - Time of day
  - Call abandonment safe harbor





# Telemarketing

- What does Ben's Bank need to know about billing for telemarketing transactions?
  - Oral disclosures re: charge information
    - Express verifiable consent is required
    - Written confirmation
  - Preacquired account information
  - NACHA rules

# Faxes & E-Mail

- Ben's Bank has a database of old and current customer fax numbers. Can Ben's Bank fax solicitations for insurance products to them?
  - Consent required



# E-Mail Communications

- Ben's Bank wants to keep up with the times by sending electronic policy documents, bills, and solicitations to both existing and potential customers by e-mail. What precautions are needed?
  - Limited
  - Ads - state that it is an advertisement and provide a physical address
  - Exceptions





# Third Parties

- Can Ben's Bank outsource its consumer marketing and customer billing functions to an expert?
  - Due diligence
  - Varied for the task

# Bank Secrecy Act, Anti-Money Laundering, and Customer Identification Programs

- The Treasury department has just implemented economic sanctions against Libya and several individuals affiliated with Col. Gaddafi's regime.
- Gaddafi contacts Ben's Bank in response to an internet advertisement seeking to purchase a life insurance policy. Can Ben's Bank submit Gaddafi's application for life insurance to the insurer?



# Military Personnel

- An Army cadet visits one of Ben's Bank branches in a local shopping mall seeking to purchase life insurance.
  - Life insurance products require certain disclosures
    - When sold on base
  - NAIC Model Law





# Suitability in Annuity Transactions

- Ben's Bank tellers refer every customer to the branch insurance agent to purchase a "one size fits all annuity." Is that problematic?
- NAIC Model Regulation
  - Gather suitability information
  - Reasonable basis to believe a recommended product is appropriate for a particular consumer
  - Disclosures
  - Third parties
  - Exemptions



# Debt Protection Products

- Ben's Bank would like to offer debt cancellation contracts and debt suspension agreements on its mortgages, car loans, and credit cards. What compliance concerns arise with that offering?
  - OCC Part 37
  - TILA and Reg Z



# Debt Protection Products

- Oral and written disclosures must be provided, but timing depends on context
  - In person sales
  - Telephone sales
  - Mail sales
- TILA regulations

# Debt Protection Products

## OPTIONAL COSTS

### Option to Purchase Disability Debt Cancellation Coverage

**STOP.** You do not have to buy Disability Debt Cancellation Coverage to get this line of credit. Go to [www.frb.gov/creditprotectionproducts](http://www.frb.gov/creditprotectionproducts) to learn more about this product.

<b>Do I need this product?</b>	If you already have enough insurance or savings to make payments on this line of credit if you are temporarily disabled, you may not need this product.  Other types of insurance can give you similar benefits and are often less expensive.
<b>How much does it cost?</b>	This product will cost up to <b>\$42 per month</b> if you borrow the entire credit limit. The cost depends on your balance and interest rate.
<b>What is the maximum benefit amount?</b>	This product will make your minimum payments of up to \$2,000 for 6 months.
<b>Can I receive benefits?</b>	<b><u>You may not receive any benefits even if you buy this product.</u></b>  You meet the employment eligibility requirements, but there are other requirements that you must meet. If you do not meet these requirements, you will not receive any benefits even if you buy this product and pay the monthly charge.
<b>How long does the coverage last?</b>	This product provides coverage for the first 10 years of your line of credit.

Yes, I want to purchase optional Disability Debt Cancellation Coverage at a cost of up to \$42 per month.

\_\_\_\_\_  
Signature



# CFPB in Brief

- Authority over consumer financial products and services
- Supervision and enforcement of big banks
- TILA transferred
- Richard Cordray named as Director, but confirmation is questionable
  - Powers limited until Director in place
- Agenda unknown

# The End

