

**Supporting Statement for the
Disclosure Requirements of Subpart H of Regulation H
(Consumer Protections in Sales of Insurance)
(FR H-7¹; OMB No. 7100-0298)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Disclosure Requirements of Subpart H of Regulation H (Consumer Protections in Sales of Insurance) (FR H-7; OMB No. 7100-0298). The disclosure requirements, which are codified at 12 CFR Part 208.81 et seq., apply to the sale of insurance by a state member bank or by any other person at an office of the bank or on behalf of the bank (collectively, Covered Persons). There are no required forms associated with this information collection (the FR H-7 designation is for internal purposes only). The estimated total annual burden for the FR H-7 is 12,947 hours.

Background and Justification

Subpart H of Regulation H - Membership of State Banking Institutions in the Federal Reserve System was adopted by the Board in 2000² pursuant to section 305 of the Gramm-Leach-Bliley Act of 1999 (GLBA), which required the federal banking agencies³ to issue joint regulations governing retail sales practices, solicitations, advertising, and offers of insurance by, on behalf of, or at the offices of insured depository institutions.⁴ Section 305 applies to any depository institution and any person selling, soliciting, advertising, or offering insurance products or annuities to a consumer at an office of a depository institution or on behalf of the institution. As required by section 305 of the GLBA, the insurance consumer protection rules in Regulation H require Covered Persons to prepare and provide certain disclosures to consumers before the completion of the initial sale of an insurance product or annuity to a consumer and at the time a consumer applies for an extension of credit in connection with the solicitation, offer, or sale of an insurance product or annuity.

This information is not available from other sources.

Description of Information Collection

The insurance consumer protection rules in Regulation H require depository institutions to prepare and provide certain disclosures to consumers.

¹ The internal Agency Tracking Number previously assigned by the Board to this information collection was “Reg H-7.” The Board is changing the internal Agency Tracking Number for the purpose of consistency.

² See 65 FR 75822 (December 4, 2000).

³ The federal banking agencies are the Board, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC).

⁴ See Public Law No. 106-102, which added section 47 to the Federal Deposit Insurance Act, codified at 12 U.S.C. 1831x. Section 305 applies to all depository institutions, including national banks, state member banks, state nonmember banks, and savings associations. The OCC and FDIC have separate regulations governing this subject for depository institutions subject to their supervision.

12 CFR Part 208.84(a). Requires Covered Persons to disclose before the completion of the initial sale of an insurance product or annuity to a consumer that (1) the insurance product or annuity is not a deposit or other obligation of, or guaranteed by, the bank or an affiliate of the bank, (2) the insurance product or annuity is not insured by the FDIC or any other agency of the United States, the bank, or (if applicable) an affiliate of the bank, and (3) in the case of an insurance product or annuity that involves an investment risk, there is investment risk associated with the product, including the possible loss of value.

12 CFR Part 208.84(b). Requires Covered Persons to disclose at the time a consumer applies for an extension of credit in connection with which an insurance product or annuity is solicited, offered, or sold, that the bank may not condition an extension of credit on either (1) the consumer's purchase of an insurance product or annuity from the bank or any of its affiliates or (2) the consumer's agreement not to obtain, or a prohibition on the consumer from obtaining, an insurance product or annuity from an unaffiliated entity.

Both of the above disclosures generally must be made orally and in writing, and must be readily understandable and meaningful, as defined by the regulation. In the case of transactions conducted by mail, the regulation does not require oral disclosures. Electronic disclosures are permitted, consistent with the requirements of 12 CFR Part 208.84(c)(4). Institutions are also required to obtain a written acknowledgment by the consumer that the consumer received the disclosures or, in certain circumstances, to obtain an oral acknowledgment.

Respondent Panel

The FR H-7 panel is comprised of state member banks and other persons.

Time Schedule for Information Collection and Publication

This information collection contains two mandatory disclosure requirements, which are triggered by the events described above. In connection with the in-person sale of an insurance product or annuity, both the oral and written disclosures must be made immediately. In the case of transactions conducted by telephone, oral disclosures must be made at the time of the sale, and written disclosures must be provided by mail within three business days of the sale of the insurance product or annuity, beginning on the first business day after the sale, excluding Sundays and legal public holidays.

Legal Status

Section 305 of the GLBA requires that the Board issue regulations, including disclosure requirements, applicable to retail sales practices, solicitations, advertising, or offers of insurance by depository institutions. (12 U.S.C. 1831x). The disclosure requirements described above are contained in Subpart H of the Board's Regulation H. (12 CFR Part 208, Subpart H). The disclosures required under Subpart H of Regulation H disclosures are mandatory.

Because the FR H-7 disclosures are provided by state member banks to customers, confidentiality issues should generally not arise. However, if any institution-specific information

is obtained by the Board during an examination of a state member bank, such information may be protected under exemption (b)(8) of the Freedom of Information Act, which exempts from disclosure materials related to the examination of financial institutions (5 U.S.C. 552(b)(8)).

Consultation Outside of the Agency

There has been no consultation outside the agency.

Public Comments

On October 17, 2018, the Board published an initial notice in the *Federal Register* (83 FR 52452) requesting public comment for 60 days on the extension, without revision, of the FR H-7. The comment period for this notice expired on December 17, 2018. The Board did not receive any comments. On February 5, 2019, the Board published a final notice in the *Federal Register* (84 FR 1734).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR H-7 is 12,947 hours. The Board estimates that each state member bank, on average, will make approximately 630 such disclosures each year. Using an estimate of one and a half minutes for each disclosure, a state member bank would spend on average about 16 hours per year making these disclosures. These disclosure requirements represent less than 1 percent of the Board’s total paperwork burden.

FR H-7	<i>Estimated number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average time per response</i>	<i>Estimated annual burden hours</i>
Insurance (208.84(a)) and Extension of Credit (208.84(b))	822	630	1.5 minutes	12,947

The estimated total annual cost to the public for this information collection is \$745,747.⁶

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

⁵ Of these respondents, 561 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets), www.sba.gov/document/support--table-size-standards. The Federal Reserve System did not make efforts to minimize burden on small entities in this collection.

⁶ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2018*, published March 29, 2019, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

Because the Federal Reserve does not collect any information, there is no estimated cost to the Federal Reserve System.