Supporting Statement for the
Disclosure Requirements of Subpart H of Regulation H
(Consumer Protections in Sales of Insurance)
(Reg H-7; OMB No. 7100-0298)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from 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) (Reg H-7; OMB No. 7100-0298). The disclosure requirements, which are codified at 12 CFR 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 Reg H-7 designation is for internal purposes only). The current annual burden for this collection of information is estimated to be 12,947 hours.

Background and Justification

Subpart H of Regulation H was adopted by the Board in 2000 pursuant to section 305 of the Gramm-Leach-Bliley Act of 1999 (GLBA), which required the federal banking agencies 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. 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.

Description of Information Collection

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

12 CFR 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

1 See 65 FR 75822 (December 4, 2000).
2 The federal banking agencies are the Board, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC).
3 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 the FDIC have separate regulations governing this subject for depository institutions subject to their supervision.
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 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 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.

Time Schedule for Information Collection

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.

Consultation Outside of the Agency

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 with revision of the Reg H-7.
The comment period for this notice expires on December 17, 2018.

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 are mandatory. Because Regulation H-7 disclosures are
provided by Covered Persons to customers, confidentiality issues should generally not arise.
However, if the Board obtains any institution-specific information 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)).
Estimate of Respondent Burden

The estimated annual burden for the disclosure requirements associated with Subpart H of Regulation H is 12,947 hours, as shown in the table below. 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. This burden represents less than 1 percent of the total Federal Reserve System paperwork burden.

<table>
<thead>
<tr>
<th>Reg H-7</th>
<th>Estimated number of respondents</th>
<th>Annual frequency</th>
<th>Estimated average time per response</th>
<th>Estimated annual burden hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance (208.84(a)) and Extension of Credit (208.84(b))</td>
<td>822</td>
<td>630</td>
<td>1.5 minutes</td>
<td>12,947</td>
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</tbody>
</table>

The estimated cost to the public for this information collection is $724,390.5.

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

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

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4 Of these respondents required to comply with this information collection, 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/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

5 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 $18, 45% Financial Managers at $69, 15% Lawyers at $68, and 10% Chief Executives at $94). 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 2017, published March 30, 2018, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc.