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October 5, 2000

DELIVERED BY ELECTRONIC AND REGULAR MAIL

Communications Division
Office of the Comptroller of the Currency
250 E Street, SW, Third Floor
Washington, D C 20219
Attn: Docket No. 00-16

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, D C 20551
Re: Docket No. R-1079

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D C 20429
Attn: Comments/OES

Manager, Dissemination Branch
Information Management & Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, D C 20552
Attn: Docket No. 2000-68

Dear Sirs and Madams:

This comment letter is submitted on behalf of Wachovia Corporation and its subsidiary company, Wachovia Bank, N.A., and Atlantic Savings Bank, FSB (hereinafter collectively referred to as "Wachovia").

Wachovia Corporation is an interstate financial holding company with dual headquarters in Atlanta, Georgia and Winston-Salem, North Carolina, serving regional, national and international markets. Its member companies offer personal, corporate, trust and institutional financial services. Wachovia Bank, N.A., the principal subsidiary of Wachovia Corporation, has more than 700

offices and 1,300 ATMs in Florida, Georgia, North Carolina, South Carolina and Virginia.

Wachovia is pleased to respond to the joint notice of proposed rulemaking by The Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision, (collectively "the Agencies") on the proposed insurance consumer protection rules. The rules are published pursuant to Section 47 of the Federal Deposit Insurance Act, which was added by Section 305 of the Gramm-Leach-Bliley Act ("the GLBA").

Section 47, captioned "Insurance Customer Protections," directs the Agencies jointly to prescribe and publish consumer protection regulations that apply to retail sales practices, solicitation, advertising, or offers of any insurance product by a depository institution. The proposed rule applies to any depository institution or any person selling, soliciting, advertising, or offering insurance products or annuities to a consumer at an office of the institution or on behalf of the institution.

Wachovia appreciates the difficulty of crafting such regulations and applauds the work of the Agencies in addressing these complex issues. Wachovia hopes that the following comments will be helpful to the Agencies as the final regulations are developed.

The proposal addresses four primary areas related to the sale of insurance and annuity products: prohibited practices, required disclosures, acceptable location for the conduct of insurance activities and required licensing for insurance sales personnel. This letter will address each of the areas by providing specific comments to questions posed by the regulatory Agencies.

"Insurance Products" Definition

This regulatory proposal applies to "insurance products." However, the term is not defined in either Section 305 of the GLBA or this proposed regulation. The proposal indicates that the Agencies will look to other sources to determine whether a given product is subject to the consumer protection regulation. Those sources include Section 302(c) of the GLBA (which defines insurance for purposes of that Section), common usage, conventional definitions, judicial interpretations, and other federal laws. The proposal asks if this approach is appropriate or if the rule should include a definition of "insurance products."

Wachovia believes strongly that the Agencies should provide a definition of the term "insurance products." This definition should be suited to the specific purpose of the GLBA provisions. Looking to other sources for a definition could result in ambiguous interpretations and unfair application of regulatory requirements. This also would have the potential to widen the scope of the regulation's applicability to any product that provides beneficial protection to consumers and dilute the regulation's effectiveness in meeting the original goal of providing protection and information to a depository institution's customers.

A definition should be developed that recognizes the unique relationships that exist within a financial holding company environment and provides a depository institution with the flexibility to meet the needs of well-informed banking customers through the most efficient and cost effective means. It is for these reasons that Wachovia believes the definitions should NOT include products such as: credit life, credit disability, credit involuntary unemployment insurance, credit property, other forms of credit insurance, and property and casualty insurance. These insurance products serve to protect consumers in direct association with the use of traditional banking products offered through depository institutions.

Due to the direct association between credit-life insurance and the credit-granting process, it has long been recognized that the sale of this type of insurance is clearly within the scope of banking operations. Banks and bank holding companies have long been engaged in the sale and underwriting of credit insurance. In 1956, during the consideration of the original Bank Holding Company Act, the Senate Committee on Banking and Currency noted that -

... certain activities of a financial, fiduciary, or insurance nature are obviously so closely related to banking as to require no divestment by a bank holding company and is clearly within...¹

Application of this proposed regulation's requirements to the offering of products like credit insurance would seriously jeopardize a financial institution's ability to offer the product and ultimately prove detrimental to the consumer.

Activities such as these are so closely related to the offering of traditional bank products that a number of safeguards are already in place to protect the interests of consumers. These include the anti-tying provisions of the Bank Holding Company

¹ Senate Report No. 1095, 84th Cong. 1st Session, p. 13.

Act Amendments of 1970, the Federal Reserve Board's Regulation Z and State regulations. In fact, the Federal Reserve Board acknowledged the level of state regulation in 1986, when it repealed the comparative disclosure requirement for bank holding companies that are engaged in the underwriting of credit insurance.

Physical Separation and Payment of Referral Fees

The proposal requires that routine deposit taking activity be kept physically separate, to the extent practicable, from insurance product sales activity. The proposal further requires that the institution identify areas where insurance product or annuity sales occur and clearly delineate them from the areas where the institution's retail deposit-taking activities occur. Conditioned upon the previously stated opinion regarding the definition of "insurance products," Wachovia believes that these requirements would be reasonable.

However, if the Agencies decide that the definition of "insurance products" should include products such as credit, property and casualty insurance, Wachovia would be strongly opposed to the physical separation requirements outlined in the proposal. As evidenced by other sections of this proposal, the Agencies are clearly interested in providing guidance that will not only protect and inform consumers today, but also provide for such in future business environments. Restricting product and service delivery with such physical limitations, when traditional banking products are so closely related, would be counterproductive to the regulation's goal and ultimately result in more confusion and expense to a consumer who has chosen to shop in the banking industry.

Unless the definition of "insurance products" excludes those mentioned above, Wachovia would strongly oppose also the imposition of the proposed licensing requirements. This coupled with the physical separation requirement would make the sale of this type insurance virtually cost prohibitive.

In regard to the sale of credit, property and casualty insurance, Wachovia thinks that the substantive oral and written disclosure requirements, more than adequately succeeds in meeting the goal of providing protection and disclosure to a depository institution's customers without the need for physical separation and licensing controls.

The proposed regulation permits deposit-taking personnel in the deposit-taking area of the institution to make referrals of consumers to insurance sales personnel and allows the institution to pay a one-time, unconditional, nominal fee of a fixed dollar amount for each referral. Wachovia agrees with this position.

"Covered Person" Definition

As defined in the proposed rule, the term "covered person" means any depository institution or any other person selling, soliciting, advertising, or offering insurance products or annuities to a consumer at an office of the institution or "on behalf of" the institution. Wachovia concurs with this definition.

However, Wachovia thinks that the sale, solicitation, advertising, or offer of an insurance product or annuity at an off-premises site that identifies, refers to or uses the name of the holding company or other affiliate would not constitute activity subject to the requirements set forth in the proposed regulation. Individuals operating in this capacity should not be included in the definition of a "covered person." Wachovia also takes the position that use of the name or corporate logo of the holding company or other affiliate in documents evidencing the sale, solicitation, advertising, or offering of an insurance product or annuity does not serve as evidence of activity "on behalf of" an affiliated depository institution. Accordingly, this activity should not be subject to the requirements set forth in the regulation.

Wachovia believes that this position is in keeping with the spirit and primary purpose of Section 305 of the GLBA - - full disclosure and consumer protection. None of the activity listed in the preceding paragraph should cause a consumer to become confused about the "covered person's" relationship with an affiliated depository institution, or in any way think that they are conducting business with such.

"Consumer" Definition

Even though Section 305 of the GLBA imposes various consumer protection requirements on depository institutions engaged in the sale of insurance products it does not define the term "consumer." The proposed rule defines a "consumer" as "an individual who obtains, applies to obtain, or is solicited to obtain insurance products or annuities from a covered person." The proposal seeks opinion on this definition. Wachovia

supports this definition as long as the term is limited in scope to individuals who obtain or apply for insurance products or annuities "primarily for personal, family, or household purposes." In addition, our support of this definition would be contingent upon a definition of "insurance products" that specifically excludes credit, property and casualty insurance as stated above. The Agencies are encouraged to add clarification to the regulation by including specific exclusionary language for commercial businesses, sole proprietorships and trust accounts.

"Electronic Media" Definition

The proposed rule defines "electronic media" to include any means for transmitting messages electronically between a covered person and a consumer in a format that allows visual text to be displayed on equipment, such as a personal computer. The Agencies ask if this is an appropriate definition of "electronic media," or if a more expansive definition would be consistent with the GLBA, which requires that disclosures be both written and oral. Wachovia supports this definition on the condition that the requirements for telephone applications remain unchanged from what has been proposed.

Electronic and Telephone Disclosures

Since Section 305 of the GLBA requires that disclosures be made orally and in writing and since the Agencies could not alter this requirement, Wachovia believes that disclosure process requirements as outlined in the proposal are reasonable. Wachovia appreciates that the Agencies chose to exercise their ability to alter the disclosure requirements for sales over the telephone or by electronic media. However, Wachovia would stress once again the importance of flexibility in the design of disclosure material for individual products. It is clear that some disclosures are appropriate in all cases. However, product characteristics rather than delivery methods would and should warrant different disclosure requirements, and Wachovia would encourage the Agencies to add language to support this flexibility.

Understandable Disclosures

Section 305 of the GLBA requires that all disclosures be "simple, direct, and readily understandable", but the proposed regulation requires that disclosures be "designed to call attention to the nature and significance of the information

provided." Through this proposal the Agencies invite comment regarding the level of detail that guidance on this matter should take.

Wachovia thinks that the final regulation should include disclosure guidance and would welcome sample disclosure language. In addition, standardized disclosure language, which recognizes differing levels of complexity and detail, for a variety of uses should be provided. For example, the regulation should illustrate one version to be provided to customers and a shorter version that could be used in advertisements that specifically promote an insurance or annuity product. However, Wachovia would submit that the Agencies avoid setting specific requirements on details such as font size and format. Such detail would inhibit the regulation's flexibility and applicability, given the speed of change in the technological environment.

Meaningful Disclosures

The GLBA provides that a disclosure will not be meaningfully provided if not done so in both a written and oral manner. Additionally, the law provides that disclosures made through electronic means must not allow the consumer to bypass the visual text of the disclosure before making a purchase decision. Given these parameters, Wachovia believes that to effectively address the meaningfulness of disclosures provided to consumers during the sale of insurance products, the final regulation must provide specific guidance on acceptable disclosure processes. This guidance should cover various delivery mechanisms and consistency among regulatory requirements would be encouraged.

For the disclosure process to be meaningful to the customer, it is vital that disclosure distribution requirements be flexible enough to allow an institution to customize disclosures based upon product. To force blanket disclosure would increase the probability that the customer would ultimately be confused regarding product characteristics. For example, the final regulation should not require that an institution disclose the possibility of "loss of value" if cash value and the "loss of value" are not components and/or possibilities related to the product being offered.

In addition, Wachovia questions the meaningfulness of the proposed "anticoercion and antitying rule" disclosure requirement. While the use of this disclosure might be reasonable, it would seem more appropriate to be a disclosure required of a lender rather than someone selling insurance and annuity products. If required in all situations, this

disclosure would be particularly confusing for consumers who purchase insurance products from an institution with whom they have no other financial relationship.

Customer Acknowledgement

Section 305 of the GLBA requires an institution to obtain from the consumer a written acknowledgement of the receipt of the required disclosures. Again, in an effort to accommodate electronic media, the federal banking Agencies are proposing that a consumer who receives disclosures electronically may acknowledge receipt of the disclosures electronically or in paper form. Wachovia supports this action.

Finally, due to the amount of time that will be required to implement training for new regulatory requirements, printing new disclosures and developing backroom processes to ensure compliance, Wachovia asks that the Agencies consider making compliance voluntary until July 1, 2001.

Wachovia appreciates the opportunity to offer these comments to the Agencies and hopes that they will be helpful in formulating appropriate guidelines that meet the statutory intent of the GLBA without placing an undue burden on financial institutions

Very truly yours,

(Signature of Donald K. Truslow affixed to original copy)

Senior Executive Vice President