

**Supporting Statement for the
Disclosure Requirements of Subpart H of Regulation H
(Consumer Protection in Sales of Insurance)
(FR H-7; 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 Protection in Sales of Insurance) (FR 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).

The estimated total annual burden for the FR H-7 is 8,685 hours.

Background and Justification

Subpart H of Regulation H - Membership of State Banking Institutions in the Federal Reserve System (12 CFR Part 208) was adopted by the Board in 2000¹ pursuant to section 305 of the Gramm-Leach-Bliley Act of 1999 (GLBA), which required the federal banking agencies² to issue joint regulations governing retail sales practices, solicitations, advertising, and offers of insurance by, on behalf of, or at the offices of depository institutions.³ 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. The insurance consumer protection rules in Regulation H implement section 305 of the GLBA and require Covered Persons to prepare and provide certain disclosures in advertisements of insurance products, to consumers before the completion of the initial purchase of an insurance product, 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.

Section 208.84(a). Requires Covered Persons to disclose before the completion of the initial purchase of an insurance product or annuity by 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

¹ See 65 FR 75822 (December 4, 2000).

² The federal banking agencies are the Board, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC).

³ See 12 U.S.C. § 1831x. Section 305 applies to all depository institutions, including national banks, state banks, any Federal branch and insured branch, and savings associations. The OCC and FDIC have separate regulations applicable to depository institutions subject to their supervision.

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.

Section 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.

Section 208.84(d). Requires the disclosures contained in section 208.84(a) to be included in advertisements and promotional material for insurance products or annuities unless the advertisements and promotional materials are of a general nature describing or listing the services or products offered by the bank.

The Board understands that respondents use information technology to comply with these provisions, including by providing the written disclosure electronically where the consumer has affirmatively consented to this and the other requirements of Section 208.84(c)(4) are met, as well as by permitting the consumer to acknowledge receipt of certain disclosures electronically under Section 208.84(c)(7).

Respondent Panel

The FR H-7 panel comprises state member banks or any other person who sells, solicits, advertises, or offers an insurance product or annuity to a consumer at an office of a bank or on behalf of a bank.

Frequency and Time Schedule

The FR H-7 is event-generated. The FR H-7 contains three 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.

Public Availability of Data

There is no data related to this information collection made available to the public by the Board.

Legal Status

The Disclosure Requirements of Subpart H of Regulation H are authorized by section 305 of the Gramm-Leach-Bliley Act of 1999, which requires that the Board issue regulations,

including disclosure requirements, applicable to retail sales practices, solicitations, advertising, or offers of insurance by depository institutions.⁴ Because the FR H-7 disclosures are provided by state member banks to customers, confidentiality issues should generally not arise. In the event the records are obtained by the Board through the examination or supervision of a financial institution, this information would be considered confidential pursuant to exemption 8 of the Freedom of Information Act, which protects information contained in “examination, operating, or condition reports” obtained in the bank supervisory process.⁵

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On July 31, 2024, the Board published an initial notice in the *Federal Register* (89 FR 33348) requesting public comment for 60 days on the extension, without revision, of the FR H-7. The comment period for this notice expires on September 30, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR H-7 is 8,685 hours. The Board estimates that the total number of respondents is equal to the number of state member banks who reported positive insurance fees on income reports in the prior calendar year. The Board estimates that each such state member bank, on average, will make approximately 630 disclosures under 12 CFR 208.84(a) and (b) each year. Related to advertisements (12 CFR 208.84(d), the Board estimates that each such state member bank that engages in such activity will advertise the products or annuities once per year. The burden estimate was produced using the standard Board burden calculation methodology. These disclosure requirements represent less than 1 percent of the Board’s total paperwork burden.

FR H-7	<i>Estimated number of respondents</i> ⁶	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Sections 208.84(a) and 208.84(b)	339	630	0.04	8,543
Section 208.84(d)	339	1	0.42	<u>142</u>
<i>Total</i>				8,685

⁴ 12 U.S.C. § 1831x. The Board also possesses broad authority to require reports from state member banks. 12 U.S.C. §§ 248(a) and 324.

⁵ 5 U.S.C. § 552(b)(8).

⁶ Of these respondents to this information collection, 236 respondents are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support--table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

The estimated total annual cost to the public for this collection of information is \$606,647.⁷

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

Because the Federal Reserve does not collect any information pursuant to FR H-7, any cost to the Federal Reserve System associated with this information collection are estimated to be insignificant.

⁷Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at \$23, 45% Financial Managers at \$84, 15% Lawyers at \$85, and 10% Chief Executives at \$124). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2023, published April 3, 2024 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.