



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

June 6, 2003

Interpretive Letter #967
June 2003
12 USC 24a
12 CFR 5.39

Subject: Insurance Financial Subsidiaries – Risk Management Services

Dear []:

This responds to your letter requesting the OCC’s confirmation that [**Bank**] [**City, State**] (“Bank”) is not required to file a notice if the Bank’s previously approved insurance agency financial subsidiaries provide risk management services as part of their insurance agency activities. Specifically, the Bank would make available training and safety programs designed to reduce the insurance risks of customers in the trucking business.

For the reasons discussed below, we believe the Bank’s previously approved insurance agency financial subsidiaries are authorized to offer the proposed risk management services as part of their existing insurance agency activities. The Bank therefore is not required to file a notice under 12 C.F.R. § 5.39.

A. Background

National bank operating subsidiaries and financial subsidiaries are authorized to act as insurance agents or brokers.¹ Operating subsidiaries that act as insurance agents qualify for the OCC’s notice procedures,² and financial subsidiaries that act as insurance agents also qualify for the OCC’s notice procedures, provided the bank has filed a financial subsidiary certification.³ The Bank already owns financial subsidiaries that are engaged in insurance agency activities. The Bank submitted the requisite notice and certification to form and operate these financial subsidiaries as insurance agencies in October 2001 (“financial subsidiaries”).

¹ 12 C.F.R. §§ 5.34(e)(5)(v)(P) and 5.39(e)(1)(ii).

² 12 C.F.R. § 5.34(e)(5)(v).

³ 12 C.F.R. §§ 5.39(i)(1) and 5.39(e)(1)(ii).

You have indicated that many of the larger insurance agencies assist businesses and individuals in managing their risk of loss by providing consulting services to manage risk of loss.⁴ You represent that these services include safety programs tailored to specific businesses, such as providing training and safety programs for customers in the trucking business. You also enclosed materials demonstrating that insurance brokers and agencies routinely offer risk management services.⁵ Among these materials were advertisements for insurance agencies demonstrating that insurance agencies are providing risk management services variously described as “Transportation and Fleet Safety”⁶ and “Driver Safety Training”⁷ courses.⁸

B. Discussion

The Bank has requested the OCC to confirm that the Bank is not required to file a notice with the OCC if the Bank’s previously approved insurance agency financial subsidiaries provide risk management services as part of their insurance agency activities. A bank is required to file a notice for an existing financial subsidiary if the bank seeks OCC approval to commence a new activity in the financial subsidiary authorized under 12 U.S.C. § 24a.⁹

As you have demonstrated, the financial subsidiaries’ proposed risk management activities are part of an insurance agency’s activities. The Federal Reserve Board has similarly concluded in a letter dated July 10, 2002, that an insurance agency owned by a financial holding company may provide risk management services in connection with its insurance sales activities.¹⁰ The Federal

⁴ We understand that insurance agents and brokers often assist customers in selecting insurance carriers and oversee the services being provided to customers by insurance company safety professionals. The insurance agents and brokers provide risk management services to identify new insurance agency business, retain existing profitable insurance business, reduce claims, reduce transactions costs, reduce premiums, improve service, and ensure appropriate insurance coverage.

⁵ The Bank identified several insurance brokers or agents that provide risk management services, including Wachovia DavisBaldwin, Hamilton Dorsey Alston Company, Rebsamen Insurance, ABD Insurance and Financial Service, and Arthur J. Gallagher & Co.

⁶ Wachovia DavisBaldwin.

⁷ ABD Insurance Service.

⁸ Examples of other risk management services provided by the insurance agencies included services variously described as OSHA compliance programs, D.O.T. compliance programs, substance abuse programs, ergonomics, safety compliance, and training courses.

⁹ 12 C.F.R. §§ 5.39(i)(1)(ii) and 5.39(i)(2).

¹⁰ See 2002 Fed. Res. Interp. Ltr. LEXIS 5 (July 10, 2002). The types of risk management services reviewed by the Federal Reserve Board in its letter included: (i) assessing the risk of a client seeking insurance and identifying the client’s exposure to loss; (ii) designing programs, policies, and systems such as workplace safety programs to reduce the client’s risks; (iii) advising clients about risk management alternatives to insurance such as self-insurance, securitization, or derivatives; and (iv) negotiating insurance coverages, deductibles, and premiums for an insurance client.

Reserve Board confirmed in its letter that risk management services are encompassed within 12 U.S.C. § 1843(k)(4)(B) insurance activities, and thus may be conducted by a financial holding company, if the services are provided by an insurance agent or broker in connection with its other insurance sales activities.

The Bank's proposal to provide risk management services similarly fits within the Bank's existing authorization to engage in insurance activities pursuant to the Bank's notice and certification to form and operate its existing financial subsidiaries as insurance agencies in October 2001. Accordingly, the Bank is not required to file a notice with the OCC for the Bank's insurance agency financial subsidiaries to engage in the proposed risk management activities.

If you have any questions concerning the foregoing, please contact Asa L. Chamberlayne, Counsel, at (202) 874-5210.

Sincerely,

- signed -

Julie L. Williams
First Senior Deputy Comptroller and Chief Counsel