FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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RETAINED ASSET ACCOUNTS AND FDIC DEPOSIT INSURANCE COVERAGE

Summary: FDIC Chairman Sheila C. Bair recently sent the attached letter to the National Association of Insurance Commissioners (NAIC) addressing the FDIC's concerns about the adequacy of disclosures provided by insurance companies when distributing insurance proceeds to consumers through Retained Asset Accounts (RAAs). Recent media reports indicate that many RAA recipients incorrectly think these products are deposit accounts insured by the FDIC when, in most instances, they are not held in bank deposit accounts and, therefore, are not eligible for FDIC insurance coverage.

Insured depository institutions that participate in any function relating to RAAs (participating banks) must be vigilant in minimizing consumer confusion about FDIC insurance coverage. Participating banks should work with the insurance companies offering RAAs to make sure that all documents provided to consumers appropriately reflect the participating banks' role in the transactions and disclose to policyholders and beneficiaries whether or not the RAAs are insured by the FDIC.

Distribution:
FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
Head of Deposit and Branch Operations
Chief Compliance Officer
Training Officer

Related Topics:
12 CFR 330 (Deposit Insurance Rules)
Third-Party Risk: Guidance for Managing Third-Party Risk (FIL-44-2008)

Attachment:
Letter from FDIC Chairman Sheila C. Bair to NAIC

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- A retained asset account is an insurance company product in which the beneficiary of a life insurance policy receives proceeds in the form of an account provided by the insurance company in lieu of a lump sum payment.

- Participating banks perform various administrative functions relating to RAAs.

- Information provided to the FDIC indicates that RAAs generally are not FDIC insured. RAAs may be insured by the FDIC only if the insurance company holds the funds in a fiduciary capacity for policyholders/beneficiaries in a deposit account at an insured depository institution.

- To minimize confusion, participating banks should ensure that their role in RAA arrangements is properly disclosed in any materials that are provided to customers, even when these materials are distributed by another party.

- Participating banks should satisfy themselves that the insurance company is making clear disclosures to customers and beneficiaries regarding the FDIC insurance status of the RAA product.