

**900 Regulations Governing Business of Banks and Trust Companies**

**903 Mandatory Disclosure of Certain Information by Delaware Banks or Trust  
Companies Engaging in the Business of Insurance**

5 Del.C. §929, §930, §930A

Formerly Regulation No.: 5.929/930/930A.0003

Effective Date: February 15, 1993

The Bank and Trust Company Insurance Act of 1989, (67 **Del.Laws C.** 223) requires banks and trust companies engaging in the business of insurance to disclose certain information to their customers. Such banks and trust companies acting as insurers and transacting the business of insurance pursuant to 5 **Del.C.** §761(a)(14) are generally bound by Title 18 of the **Delaware Code**. (See also Regulation 66 promulgated by the Department of Insurance, which governs the mandatory disclosure of certain information by such banks or trust companies.)

**1.0 Generally**

- 1.1 All information required to be disclosed by this regulation shall be set out conspicuously and under appropriate captions of such prominence that it shall not be minimized, rendered obscure or presented in an ambiguous fashion or intermingled with the context of other information so as to be confusing or misleading.

**2.0 Specific Disclosures Required**

2.1 Prohibitions on "Tying"

- 2.1.1 Any bank or trust company directly or indirectly engaging in the sale of insurance whether pursuant to the authority conferred by 5 **Del.C.** §761(a)(14) or otherwise, shall make written disclosure simultaneously with every application for any loan, credit, product or service to be purchased or obtained from such bank or trust company or any of its affiliates in conjunction with which the institution offers to sell, directly or through an affiliate, an insurance product, that the approval of such loan, credit, product or service may not be conditioned upon:

- 2.1.1.1 The agreement of applicant to obtain additional credits, products or services from such bank or trust company or from any company or person affiliated with such bank or trust company;
- 2.1.1.2 Applicant's agreement to provide additional credits, products or services to such bank or trust company or to any company or person affiliated with such bank or trust company; or
- 2.1.1.3 Applicant's agreement not to obtain other credits, products or services from any person or company that competes with such bank or trust company or with any company or person affiliated with such bank or trust company.

Such disclosure shall be in addition to any disclosures required by the applicable laws of other appropriate jurisdictions.

- 2.1.2 Any bank or trust company first authorized to transact the business of insurance in Delaware pursuant to 5 **Del.C.** §761(a)(14) and directly or indirectly engaging in the sale of insurance pursuant to such grant of authority shall make written disclosure, immediately following the disclosure required by section 2.1.1 of this regulation, in every application for any loan, credit, product or service (other than insurance) to be purchased or obtained from such bank or trust company or its insurance division or subsidiary that unless and until bank or trust company approves an application, neither it nor any person or company affiliated with it can accept an application from the applicant on application for any insurance policy which directly relates to the products or services for which the applicant has applied.

2.2 Cancellation Rights

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2.2.1 Any bank or trust company first authorized to transact the business of insurance in Delaware pursuant to 5 Del.C. §761(a)(14), and directly or indirectly engaging in the sale of insurance pursuant to such grant of authority, must deliver copies of the following written notice form or its substantial equivalent to any "individual borrower" (as defined in 5 Del.C. §930(f)) who has purchased insurance from such bank or trust company or any subsidiary thereof under circumstances where the procurement of such insurance (whether from the bank or trust company or from any other source) is lawfully made an express condition of any extension of credit by such bank or trust company. Such notice form shall be delivered to the individual borrower not later than the date of delivery of the policy.

**Notice of Insurance Cancellation Rights**

1. You have purchased insurance from us for a total premium of \$\_\_\_\_\_ per (mo/yr) in connection with an extension of credit.

2. You may cancel the insurance you have purchased from us at any time until midnight of the 30th day following our delivery of this notice and the accompanying cancellation form to you (the "Cancellation Period"). If you exercise your right to cancel the insurance within the Cancellation Period, you are entitled to a refund of some or all of the premium you have paid for such insurance, as follows:

a. If, within the first ten (10) days of the Cancellation Period, you exercise your right to cancel the insurance, we will unconditionally refund all of the premium you have paid.

b. If, at any time after the 10th day of the Cancellation Period and before the end of the Cancellation Period, you exercise your right to cancel the insurance you have purchased from us, we will, at your option:

(i) refund the unearned portion of the premium you have paid (as computed in accordance with applicable law); or

(ii) issue you a credit for the unearned portion of the premium you have paid, and, where we have financed the premium over time, with interest, issue you a credit for the unearned portion of the finance charge attributable to the insurance (as computed in accordance with your contract documents).

All refunds under this Paragraph 2.b. will be calculated as of the date of your cancellation of the insurance you have purchased from us. As set forth in Paragraph 3 of this notice, the date of your cancellation of this insurance depends upon the method you use to send the accompanying cancellation form to us.

3. You must exercise your right to cancel the insurance you have purchased from us by delivering the accompanying cancellation form to us (or our assignee) within the Cancellation Period. If you send the accompanying form to us by first class mail, postage prepaid, at the address shown on such form, the form will be considered to have been delivered to us (and your insurance will be considered to have been cancelled) when you mailed it. The postmark on the envelope in which the cancellation form is mailed to us will be conclusive evidence of the date on which you mailed it. **IF THE CANCELLATION FORM IS SENT TO US BY ANY OTHER MEANS, IT WILL BE CONSIDERED TO HAVE BEEN DELIVERED WHEN ACTUALLY RECEIVED BY US, AND YOUR INSURANCE WILL BE CONSIDERED TO HAVE BEEN CANCELLED AT THAT TIME.**

4. You have the right to choose the person or company through which you wish to obtain the insurance you have purchased from us. In other words, you do not have to purchase this insurance from us. During the Cancellation Period, you may obtain price quotations on the insurance you have purchased from us from other sources.

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5. If the insurance you have purchased from us is against loss of, damage to, or liability arising out of ownership or use of property which you have pledged or otherwise used to secure an extension of credit from us or any of our affiliates, and that extension of credit was conditioned on your purchase of such insurance, you may not cancel such insurance as provided in this notice unless at the same time you deliver the accompanying cancellation form to us, you deliver evidence to us that you have obtained other adequate insurance against such risks. For reasonable cause, we may refuse to accept the insurance obtained by you.

6. You will not be subject to any fee cancellation charge, or penalty payment if you exercise your right to cancel the insurance you have purchased from us, as specified herein.

7. You may have rights in addition to those described above under the terms of your insurance policy or applicable State law.

The foregoing notice form must be delivered to an "individual borrower" only upon his initial purchase of insurance, and not upon his subsequent renewal of that insurance. In the absence of proof to the contrary, receipt of this notice by the "individual borrower" shall be deemed to have occurred ten (10) days after the date of mailing as established by an adequate record maintained by the insurance division or subsidiary.

Contemporaneously with the delivery of the notice form described in Paragraph 2.2.1 of this regulation, a bank or trust company described in such Paragraph shall deliver the following written cancellation form or its substantial equivalent to any "individual borrower" (as defined in 5 **Del.C.** §930(f)) who has purchased insurance from such bank or trust company or any subsidiary thereof under circumstances where the procurement of such insurance (whether from the bank or trust company or from any other source) is lawfully made an express condition of any extension of credit by such bank or trust company:

**Cancellation Notice**

The undersigned, pursuant to the provisions of 5 **Del.C.** §930, hereby cancels the purchase of insurance obtained from [insert name of insurance division or subsidiary], and requests a refund or credit of the premium paid for such insurance, as follows (check only one of the following 3 alternatives):

Unconditional Refund of Premium. YOU ARE ONLY ENTITLED TO SUCH A PREMIUM REFUND IF THIS CANCELLATION FORM IS DELIVERED TO (insert name of insurance subdivision or subsidiary) WITHIN THE FIRST TEN (10) DAYS OF THE CANCELLATION PERIOD (see Paragraph 2.a of the "Notice of Insurance Cancellation Rights" provided to you with this Cancellation Form).

Refund of Unearned Portion of Premium (see Paragraph 2.b.(i) of the "Notice of Insurance Cancellation Rights" provided to you with this Cancellation Form).

Credit of Unearned Portions of Premium and Applicable Finance Charges (see Paragraph 2.b.(ii) of the "Notice of Insurance Cancellation Rights" provided to you with this Cancellation Form).

If the insurance I am cancelling is against loss of, damage to, or liability arising out of the ownership of use or, property which I pledged or otherwise used to secure an extension of credit from [insert name of insurance division or subsidiary], I have enclosed with this Cancellation Form a certificate of insurance showing that I have obtained other adequate insurance against such risks, and I understand that [insert name of insurance division or subsidiary] has no obligation to honor this Cancellation Form if I have not enclosed such a certificate of insurance.

Purchaser Signature

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Date of Signature

IMPORTANT NOTICE: THIS CANCELLATION FORM IS EFFECTIVE WHEN DELIVERED TO [insert name of insurance division or subsidiary] AT THE FOLLOWING ADDRESS;

[insert address]

IF THIS CANCELLATION FORM IS SENT BY FIRST-CLASS MAIL, POSTAGE PREPAID, IT WILL BE DEEMED TO HAVE BEEN DELIVERED WHEN MAILED. THE POSTMARK ON THE ENVELOPE IN WHICH THIS FORM IS MAILED WILL BE CONCLUSIVE EVIDENCE OF THE DATE ON WHICH YOU MAILED IT. IF THE CANCELLATION FORM IS SENT BY ANY OTHER MEANS, IT WILL BE DEEMED TO HAVE BEEN DELIVERED WHEN RECEIVED BY [insert name of insurance division or subsidiary].

The foregoing cancellation form must be delivered to an "individual borrower" only upon his initial purchase of insurance, and not upon his subsequent renewal of that insurance. Such cancellation form may be appended to, incorporated in, or otherwise made a part of the notice form described in Paragraph 3.2.2.2 of this regulation.

#### 2.3 Separation of Bank and Trust Company and its Insurance Operations

2.3.1 Any bank or trust company issuing policies of insurance, either directly or through an affiliate, shall make the following disclosure to all applicants for an insurance policy at the time of application or as soon thereafter as possible:

#### **Payment of Any Insurance Policy is Controlled by Delaware Law**

Delaware banks and trust companies are NOT liable for any insurance policies issued by their subsidiaries or divisions; such policies are not insured by the Federal Deposit Insurance Corporation.

If the subsidiary or division of a bank or trust company that has issued an insurance policy becomes insolvent or is otherwise unable to fulfill its obligations under that policy, the policyholder has no claim against the assets of the bank or trust company itself, but only against the assets of the issuing subsidiary or division.