



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, DC 20429

SHEILA C. BAIR  
CHAIRMAN

August 5, 2010

Therese M. Vaughan, Ph.D.  
Chief Executive Officer  
National Association of Insurance Commissioners  
444 North Capitol Street, N.W., Suite 701  
Washington, D.C. 20001

Dear Dr. Vaughan:

I am writing to express our serious concerns about recent press reports involving Retained Asset Accounts (RAAs) and potential consumer confusion over whether such accounts are insured by the Federal Deposit Insurance Corporation. Public understanding of FDIC insurance and when and how our guarantee applies is of the highest importance to us.

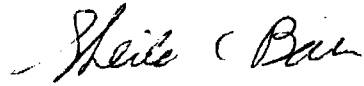
Press reports indicate that the NAIC is revisiting the disclosure requirements associated with RAAs. We welcome this initiative. We are reviewing these issues ourselves, in light of the statutory prohibition against any person misrepresenting federal deposit insurance coverage. Based on our Legal Counsel's initial review of sample documentation from an insurance company to a beneficiary, we believe that consumers may mistakenly conclude that the RAAs are products offered by insured depository institutions and, further, that the RAAs are FDIC-insured accounts.

Based on the documents that we have seen, we feel strongly that life insurers using RAAs should explain that these accounts are not FDIC insured, and that fact should be clearly and conspicuously disclosed not only to policyholders, but also to their beneficiaries at the time of the policyholder's death. Because banks and/or their affiliates may provide administrative services in connection with RAAs, the insurance company must take care to avoid implying in any way that these accounts are in fact offered by FDIC-insured depository institutions or are FDIC-insured.

We understand from conversations with NAIC staff and NAIC public statements that RAAs may be backed by state guaranty funds. If that is the case, it would seem disclosure and explanation of these guarantees to beneficiaries and policyholders would be appropriate. But we believe it is important to avoid public confusion and provide appropriate differentiation between these guarantees and FDIC coverage.

Thank you for your prompt attention to this important issue. If you would like to discuss this matter further, please do not hesitate to contact me at (202) 898-6974 or our Deputy General Counsel Roberta McInerney at (202) 898-3830.

Sincerely,

A handwritten signature in cursive script that reads "Sheila C. Bair". The signature is written in dark ink and is positioned above the printed name.

Sheila C. Bair