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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

May 26, 1998

**Corporate Decision #98-31**  
**June 1998**

Mr. Claus Thormaehlen  
First National Bank of Manchester  
100 West High  
P.O. Box 989  
Manchester, Tennessee 37349

Re: Application by First National Bank of Manchester, Manchester, Tennessee, to establish  
FCB Life Insurance Co.  
Application Control Number: 98-SE-08-0006

Dear Mr. Thormaehlen:

This is in response to your operating subsidiary application, dated February 12, 1998, filed on behalf of First National Bank of Manchester, Manchester, Tennessee (the "Bank"), to establish FCB Life Insurance Co. (the "Subsidiary"). The Subsidiary will reinsure credit life insurance sold to customers that borrow from the Bank and its lending affiliate. Based on our review of the available information, including the representations and commitments made by the Bank in the application, we approve the Bank's application to establish the Subsidiary to engage in the proposed activities.<sup>1</sup>

National banks have long been recognized to have broad authority to underwrite, reinsure, and sell as agent, credit-related insurance products. See Corporate Decision 97-92 (October 17, 1997) (the *Bank of America* letter) (authorizing Bank of America's application to establish an operating subsidiary to underwrite and reinsure credit disability and involuntary unemployment insurance sold to customers that borrow from the bank's lending affiliates); and the OCC's letter dated May 11, 1998, responding to an operating subsidiary application filed by Fleet National Bank (the *Fleet* letter) (authorizing Fleet National Bank's application to establish operating subsidiaries to underwrite and reinsure credit life insurance, credit disability insurance, and involuntary unemployment insurance sold to customers that borrow from the bank and its lending subsidiaries). As discussed in the *Bank of America* letter and the *Fleet*

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<sup>1</sup> A national bank may establish or acquire an operating subsidiary to conduct, or may conduct in an existing operating subsidiary, activities that are part of or incidental to the business of banking, pursuant to 12 U.S.C. § 24(Seventh). 12 C.F.R. § 5.34(d)(1). Underwriting, reinsuring, and selling as agent, credit-related insurance is, therefore, permissible for a bank's operating subsidiary.

letter, credit-related insurance products assist bank customers in meeting loan obligations when unfortunate circumstances, such as death, disability or unemployment, occur. Credit-related insurance products also enhance a lender's ability to receive repayment for its loans. By underwriting and reinsuring credit-related insurance, banks generate new sources of income for credit risks banks assume when lending to customers. Banks' involvement in underwriting and reinsuring credit-related insurance products may also promote competition and expand customer choices. The OCC has therefore found credit-related insurance products to be an integral part of credit transactions and thus part of, or incidental to, a bank's lending authority and the business of banking.

Sincerely,

/s/

Raymond Natter  
Acting Chief Counsel