



Richard M. Garone
Underwriting Director
Travelers Bond & Financial
Products
485 Lexington Avenue
New York, N.Y. 10017
Phone: 917-778-6021
Fax: 917-778-7016
E-mail:
rgarone@travelers.com

May 29, 2012

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corp.
550 – 17th Street, N.W.
Washington, DC 20429

Re: Comments RIN 3064 – AD94; Enforcement of Subsidiary and Affiliate
Contracts by the FDIC as Receiver of a Covered Financial Company

Dear Mr. Feldman:

Travelers is a leading insurance underwriter of specialty insurance products for the financial institution industry with banks comprising our largest client base. We have served this marketplace for over 100 years and were the first underwriters to provide Financial Institution Bonds (in 1929) and Directors and Officers Insurance (in 1964) to the US marketplace.

We are pleased to have been given an opportunity to review and comment on the proposed 12 CFR Part 380 implementing section 210(c)(16) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 U.S.C. §5390(c)(16).

We are fully aware of the value that The Federal Deposit Insurance Corporation (FDIC) places upon financial institution bonds in protecting banks and other institutions against loss resulting from employee dishonesty and certain other types of fraud, in that these bonds have been required for many years (see: 12 C.F.R. §7.2013(a) and 12 C.F.R. §563.190) by various regulators. One of the key historical elements of a financial institution bond is that they automatically terminate upon the taking over of the insured bank by a federal or state regulator. Similarly, a key historical element of a director's or officer's liability insurance contract is the automatic run-off provision that triggers upon a change of control of the insured – that is when another entity or person acquires the right to elect or otherwise appoint more than 50% of the directors of the insured. While a director's or officer's liability insurance contract does not terminate in its entirety upon the change of control of the insured, it does terminate with regard to wrongful acts taking place after such change of control. These provisions have allowed Travelers to be in a position to provide the banking industry with a cost effective way to protect themselves and to continue to serve the needs of the public while they are open.

Currently, provisions within both FIRREA and the Dodd-Frank Act recognize the importance of these termination provisions and have exempted financial institution bonds and director's or officer's liability insurance contracts from the general power of the FDIC to enforce contracts of the failed bank notwithstanding such ipso facto clauses. FIRREA states at 12 U.S.C. §1821(e)(13)(A):

The conservator or receiver may enforce any contract, other than a director's or officer's liability insurance contract or a depository institution bond, entered into by the depository institution notwithstanding any provision of the contract providing for termination, default, acceleration, or exercise of rights upon, or solely by reason of, insolvency or the appointment of or the exercise of rights or powers by a conservator or receiver.

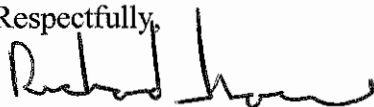
Section 210(c)(13) of the Dodd-Frank Act, 12 U.S.C. §5390(c)(13), exempts financial institution bonds and director's or officer's liability insurance contracts from both the power of the FDIC to enforce contracts of the covered financial company and the bar on termination of contracts to which the covered financial institution is a party. In other words, the termination and run-off provisions remain enforceable by the insurance company where applicable.

Travelers recognizes that the proposed Regulation implementing section 210(c)(16) of the Dodd-Frank Act is not intended to override FIRREA or section 210(c)(13) and void the traditional termination provisions of financial institution bonds insuring covered financial companies. However Travelers is concerned that the very broad definition of "linked" in proposed §380.12(b)(1) could be used to advance an argument under the wrong circumstances that the financial institution bond's termination provisions or the directors or officers liability policy's run-off provisions do not apply if the FDIC is appointed Receiver.

As a result, we respectfully ask that paragraph (a)(1) of §380.12 be amended or that a new paragraph be added to paragraph (a) of §380.12 that clarifies that this Regulation is not intended to apply to the financial institution bonds or director's or officer's liability insurance contracts of "covered" financial institutions.

Travelers appreciates your time and consideration.

Respectfully,



Richard M. Garone
Underwriting Director