

TRANSLATION

July 20, 1998
CIRCULAR No. 05-98

General Manager

Subject: Consumer Protection. Freedom to contract insurers and insurance brokers. Article 36 Law 59 of 1996.

Dear General Manager:

Hereby, we would like to draw your attention on the obligation of giving your customers the freedom to choose the insurance company and broker when entering into credit operations that would require an insurance policy.

In this regard, it would be convenient that each bank encourages these measures within their organizations to strengthen the above, such as adding footnotes, remarks or warnings disclosing this right between the addressees whether in Bank's publicity and credit and contract application forms.

Article 36 of Law 59 of 26 July 1996 states that:

“Customers of state-owned and private banks, financial companies, trust companies, credit companies, and car dealers, will have the freedom to choose and appoint their insurance companies and brokers (whether natural or juridical persons) in those transactions that may require an insurance policy.

Customers of the above mentioned institutions may also choose, freely, to contract their own insurance brokers, when entering into a collective insurance policy of these institutions, or to submit the concerning individual policies. In no event shall be conditional enrollment in such insurance charges or special conditions to the detriment of the policyholder.

The Superintendency (of Insurance and Reinsurance) will void any provision contrary to the stipulations of this article”. (as indicated in parenthesis is an addition of ours).

This Circular expressly replaces Circular No. 029-92 of 9 November 1992 of the National Banking Commission which is without effect.

Sincerely yours,

Carlos A. Vallarino R.
Superintendent of Banks