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Robert L. Senkler
Chairman and CEO



September 30, 2010

Chairman Ben S. Bernanke
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. R-1390
Federal Reserve Board's Proposed Changes to Credit Insurance Disclosures under
Reg Z and the Truth-in-Lending Act

Dear Chairman Bernanke:

I write in opposition to the Federal Reserve Board's proposed changes to Reg Z relating to credit insurance and debt protection disclosures.

I serve as the Chairman and CEO of Securian Financial Group, Inc. (Securian), the parent company of Minnesota Life Insurance Company (Minnesota Life), one of the nation's leading writers of credit-related insurance. This is the first time in my sixteen-year tenure as Securian's Chairman and CEO that I am personally authoring a comment letter on any proposed regulation, which speaks to my level of concern about this regulatory proposal.

I believe the proposed disclosures are ill-advised, misleading, and reflect an unfair and uninformed bias against credit protection products. Among the proposed new disclosures I find objectionable are:

"If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."

"Other types of insurance can give you similar benefits and are often less expensive."

"You may not receive any benefits even if you buy this product."

These proposed disclosures are tantamount to government-mandated advice not to buy the product. I believe it is inappropriate for the federal government to advise consumers, either directly or through mandated disclosures, on what products to buy or not buy.

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THE DISCLOSURES

Under Reg Z Currently. The proposed disclosures differ significantly from the disclosures long-established by the Truth-in-Lending Act (TILA) and Reg Z. Currently, Reg Z mandates the following disclosures:

1. The insurance coverage is not required as a condition of the loan.
2. The premium for the initial term of insurance coverage. (If the term of insurance is less than the term of the transaction, the term of insurance must also be disclosed.)
3. The consumer must sign or initial an affirmative written request for the insurance after receiving the above disclosures.

The current disclosures are succinct and logical. They inform the consumer of the cost of the insurance and make clear that the purchase of credit insurance is not required to obtain the loan. This follows the specific language of TILA.¹

Under the Proposal. The Board is proposing an extensive set of new disclosures. We have no problem with additional disclosures provided they convey accurate and objective information. However, in this case, the Board proposes to mandate disclosures that convey half-truths and reflect a strong bias against the product. If finalized as proposed, the rules would require creditors to disclose the following information:

- “a. A statement that **if the consumer already has enough insurance or savings to pay off or make payments on the debt if a covered event occurs, the consumer may not need the product;**
- b. **A statement that other types of insurance can give the consumer similar benefits and are often less expensive;**
- c. A statement of the maximum premium or charge per period, together with a statement that the cost depends on the consumer’s balance or interest rate, as applicable;
- d. A statement of the maximum benefit amount, together with a statement that the consumer will be responsible for any balance due above the maximum benefit amount, as applicable;
- e. A statement that the consumer meets the age and employment eligibility requirements;
- f. If there are other eligibility requirements in addition to age and employment, **a statement in bold, underlined text that the consumer may not receive any benefits even if the consumer purchases the product, together with a statement that there are other requirements that the consumer may not meet and that, if the consumer does not meet these requirements, the consumer will not receive any benefits even if the consumer purchases the product and pays the periodic premium or charge;** and
- g. A statement of the time period and age limit for coverage.” (emphasis added)

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The Board provides a sample form for credit life insurance based on the above requirements, as follows:

H-17(B) Optional Credit Life Insurance Sample

OPTIONAL COSTS

Option to Purchase Credit Life Insurance

STOP. You do **not** have to buy Credit Life Insurance to get this loan. Go to www.frb.gov/creditprotectionproducts to learn more about this product.

Do I need this product?	If you already have enough insurance or savings to pay off this loan if you die, you may not need this product. Other types of insurance can give you similar benefits and are often less expensive.
How much does it cost?	This product will cost up to \$118 per month . The cost depends on your loan balance.
What is the maximum benefit amount?	This product only covers the first \$150,000 of the outstanding balance on your loan. You will be responsible for any balance due above \$150,000.
Can I receive benefits?	You may not receive any benefits even if you buy this product. You meet the age eligibility requirements, but there are other requirements that you must meet. If you do not meet these requirements, you will not receive any benefits even if you buy this product and pay the monthly premium.
How long does the coverage last?	This product provides coverage for the first 10 years of your loan or until you reach age 70, whichever comes first.

Yes, I want to purchase optional Credit Life Insurance at a cost of up to \$118 per month.

Signature²

SECURIAN'S OBJECTIONS TO THE PROPOSED DISCLOSURES

1. The disclosures are misleading and reflect a lack of understanding of credit insurance.

The Board's proposed disclosures are based on inaccurate and uninformed assumptions regarding insurance generally, and credit insurance specifically. As a result, the content of the disclosures are not only biased and unfair, but also misleading to consumers of these products.

The first example of a misleading disclosure is the following:

"If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."

This proposed statement is a clear warning to consumers that the purchase of this product may be unwise. Such a statement is inconsistent with the advice given by financial planning experts that most American families, especially middle-class families, need more, not less life insurance.

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this disclosure is adopted, many consumers will forego the opportunity to purchase credit life insurance, only to learn later than the alternative coverage referred to in the government-mandated disclosure is either unavailable to them or is available in much larger amounts at a higher monthly cost.

The third and final example of an unfair and misleading disclosure is the following:

“You may not receive any benefits even if you buy this product.”

This statement is apparently an attempt to inform the consumer there are eligibility requirements, conditions and exclusions that could prevent him or her from receiving benefits under the policy. This is not, however, what the language conveys. Indeed, the language could lead a consumer to mistakenly conclude that if a cash benefit is never paid, the purchase of the product is a waste of money. That is an absurd conclusion considering that consumers purchase insurance policies all the time with the hope the covered event never occurs.

Every insurance policy has eligibility requirements, conditions and exclusions that may apply at the time a consumer files a claim. We have no problem with disclosing this to the consumer. However, the alarmist tone of the proposed disclosure is unwarranted. Minnesota Life typically denies claims in less than 6% of credit insurance cases due to eligibility restrictions and/or a determination that the consumer was never eligible for coverage in the first place (in which case the premium is refunded). Accordingly, there is simply no need to use such negative, alarmist language.

We suggest that the disclosure be revised to read as follows:

“There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under this product. You should carefully read our additional information and/or the contract for a full explanation.”

This language is mandated by the OCC under its debt protection rules. It is objective and factual and tells the consumer where to find further explanation, with no underlying tone of bias or negativity.

2. The Board is inappropriately interfering with commerce and harming consumers.

The Board’s insertion of its subjective and uninformed opinion, masked as government-mandated disclosures, inappropriately interferes with legitimate commerce and harms consumers. If the proposed disclosures are adopted, they will undoubtedly lead to consumers declining the product, not because they were aware of all the pros and cons of the product, but because the government told them that it was a bad product. The Board’s own consumer research proves this. In its summary of its consumer research, the Board finds that, when using the proposed disclosures, every single consumer tested declined to purchase the product.⁵

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Such an outcome is unacceptable in any reasonable economic system. It not only hurts businesses, at a time when we need to grow jobs, but it also hurts consumers. Instead of providing objective disclosures to fully inform the consumer of the cost of credit, the Board is advocating that consumers not purchase the product, and it has based this admonition on misunderstandings and misconceptions.

This intrusion flies in the face of this nation's most fundamental principles of freedom of choice and free enterprise. Does the federal government tell the consumer at an automobile dealership that he may be able to find a better, less expensive car at another dealer? Certainly not. Yet the Board is telling consumers that they can find a better insurance product elsewhere, even though it is not qualified to make such a statement. The Board's role is to provide objective disclosures regarding the cost of credit so consumers can make an informed choice when obtaining loans. It is not to provide substantive advice regarding the purchase of credit insurance.

CONCLUSION

The Board is inappropriately interfering with commerce and the business of insurance by proposing credit insurance disclosures that are unduly negative and which are based on misconceptions and false assumptions. Instead of objective disclosures designed to inform consumers of the cost of credit, the disclosures are biased, half-truths designed to steer consumers away from the product. This is neither the purview nor the role of the Board or the U.S. Government.

We respectfully ask that you intercede on our behalf in this rulemaking so that the proposed disclosures are withdrawn. We ask that the current disclosures remain in effect unless and until they can be revised in an objective, unbiased manner that does not unreasonably interfere with commerce and the business of insurance.

Sincerely,



Robert L. Senkler

RLS:mb

cc: Ms. Jennifer J. Johnson, Secretary

Governor Kevin Warsh

Governor Elizabeth Duke

Governor Daniel Tarullo

Board of Governors of the Federal Reserve System

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Washington, DC 20551

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Senator Al Franken
Senator Amy Klobuchar
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Commissioner Gary Locke
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Representative James Oberstar
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Representative Erik Paulsen
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Representative Collin Peterson
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Representative Timothy Walz
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¹ TILA at 15 USC 1605.

² Federal Reserve Board's proposed rule regarding credit insurance, Docket No. R-1390, August 16, 2010, p. 660.

³ Trends in Life Insurance Ownership, August 27, 2010, LIMRA International, Windsor, CT.

⁴ Calculation based on current *prima facie* rates as set forth in Minnesota Rules, Part 2760.0050.

⁵ *Summary of Findings: Design and Testing for Periodic Statements for Home Equity Lines of Credit, Disclosures about changes to Home Equity Line Credit Limits, and Disclosures about Credit Protection Products, July 2010, submitted to the FRB by ICF Macro*, Chapter V, pages 14-16.