

From: Transamerica Life & Protection, Michael A. Eubanks
Subject: Regulation Z - Truth in Lending

Comments:

SENT ON BEHALF OF MICHAEL A. EUBANKS

Attention: Chairman Ben S. Bernanke

Transamerica Life Insurance Company is one of the leading underwriters of credit insurance and debt protection products. I am writing to express our opposition to the Federal Reserve Board's proposed changes to Reg Z.

The credit insurance products provide valuable protection to our consumers. The benefits of these products are easily understood. There are very few eligibility and underwriting requirements that are associated with the credit products when compared to the situation where a consumer is trying to obtain individual insurance coverage as an alternative method to provide the insurance protection.

It is our belief that the proposed disclosures are unduly negative in their presentation and have the effect of totally discouraging consumers from the purchase of credit insurance products. This should never be the intent of any proposed regulation or guideline. It is not the role of government to suggest or direct a consumer away from the purchase of an insurance product. Such purchase is the voluntary decision of the consumer.

The current Reg Z requirements have defined disclosure standards that provide appropriate information for the consumer to understand the terms and costs of insurance. The current disclosure requirements make it clear to the consumer that the purchase of the credit insurance is not a requirement for obtaining a loan and that there be written disclosure that there is an additional charge for the coverage. The current Reg Z requirements provide that the consumer must affirmatively sign or initial a written statement that the consumer wishes to purchase the credit insurance coverage.

The intent of the current Reg Z requirements under the Truth-in-Lending Act is to provide clear and concise disclosures to the consumers. We support providing additional disclosures that benefit and assist the consumer. It is our opinion that the proposed disclosures do not: the proposed disclosures are not clear, are misleading, and are biased against the purchase of credit insurance products. The Federal Reserve Board has not demonstrated any cause or basis to warrant changing the existing disclosures.

In the proposed Reg Z changes, the rules would require the creditor as part of the disclosure to provide the following statement: "If the consumer already has enough insurance or savings to payoff or make payments on the debt if a covered event occurs, the consumer may not need the product." The federal government cannot place itself in the role of a financial consultant to borrowers in determining the product type to be considered for providing the level of protection needed for the type of credit transaction being considered. A consumer may have in place an individual insurance policy to address already existing consumer family needs. To then go out at the time of the credit loan transaction to obtain another individual policy of insurance, for example, will certainly require a more in-depth underwriting process of the

applicant and could cost the consumer more in premiums if the levels of the insurance to be provided would be higher for underwriting issuing purposes than the credit loan balance is intended to cover. For generally a much lower premium, the consumer can obtain an amount of life insurance under a credit product to cover the loan balance regardless of the occupation and health of the consumer. An individual term policy, on the other hand, takes into consideration in the determination of coverage of the insured, the health, occupation, age, smoking status, and other risk factors. Credit insurance is a viable choice that addresses the consumer's needs at the time of the transaction. The government should not be intentionally persuading the consumer from not considering the credit products nor be involved in the consumer's choice of insurance product.

The proposed Reg Z requirements state in the proposed disclosures that "you may not receive any benefits even if you buy this product." Every insurance product has some form of eligibility requirement, condition of coverage or benefit exclusion that may apply. This proposed mandated again raises more negative concerns in the consideration of the purchase of the insurance product. Any such disclosure addressing receipt of benefits needs to be presented accurately, fairly, and in an unbiased manner.

Credit insurance is highly regulated at the State level, including advertising and disclosure of credit insurance products. In its consideration of the Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"), Congress recognized the jurisdiction of the States over credit insurance by removing credit insurance from the jurisdiction of the Consumer Financial Protection Bureau prior to enactment. The Federal Reserve Board should not circumvent such congressional determination by now trying to regulate the product through Regulation Z.

The points raised in this letter address our most fundamental concerns with the proposed Reg Z disclosure requirements. It is the recognized purpose of disclosure requirement of Reg Z and the Truth-in-Lending Act that the disclosures should be used by the consumer to understand the role of the credit products and the costs of credit insurance as part of the credit transaction, so the consumer can make an informed decision as to the purchase of such products. The role of the government is to address the quality of the disclosure statements, which the current Reg Z requirements provide, and not be involved in providing purchasing advice to the consumer. Transamerica Life Insurance Company respectfully requests that the proposed disclosure requirements be withdrawn.

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