Thomas A. Durkin

December 20, 2010

Ms. Jennifer J. Johnson
Secretary, Board of Governors of the
Federal Reserve System
20th and C Streets NW
Washington DC 20551

Re: Docket R-1390

Dear Jennifer,

You may recall from my time in the Board's Office of the Secretary and the Division of Research and Statistics that one of my research interests is consumer credit insurance. In particular, over the years I have been especially interested in the interaction of this collection of products with the Truth in Lending (TIL) Act and its implementing Regulation Z. In this context, many years ago as a Visiting Professor at the Board, I designed the 1977 Survey of Consumer Finances. This project reinstated the Surveys of Consumer Finances, now an ongoing effort much grown from 1977, but restarted then after a lapse specifically at the request of the Senate Banking Committee for information about consumers' use of credit insurance in the early days of Truth in Lending.[1] Board economists updated this project in 1986 in a joint effort with the Federal Reserve Bank of San Francisco.[2] Due to ongoing interest, I updated it again within the last decade.[3] I also represented the Board's R&S Division on the Advisory Committee concerning for the 1996 "Purdue University Study" of credit insurance.[4] In many ways, this report updated the remaining major study of consumers use of credit insurance, the earlier "Ohio University"

---

[1] See Thomas A. Durkin and Gregory E. Elliehausen, *The 1977 Consumer Credit Survey,* Washington: Board of Governors of the Federal Reserve System, 1978; see also Robert A. Eisenbeis and Paul R. Schweitzer, *Tie Ins Between the Granting of Credit and Sales of Insurance By Bank Holding Companies and Other Lenders*. Washington: Board of Governors of the Federal Reserve System, Staff Study 101, 1979.

[2] Anthony W. Cyrnak and Glenn B. Canner, "Consumer Experiences with Credit Insurance: Some New Evidence," Federal Reserve Bank of San Francisco *Economic Review,* Summer, 1986.

[3] Thomas A. Durkin, "Consumers and Credit Disclosures: Credit Cards and Credit Insurance," *Federal Reserve Bulletin*, April 2002.

[4] John M. Barron and Michael E. Staten. *Consumer Attitudes Toward Credit Insurance,* Norwell, Massachusetts: Kluwer Academic Publishers, 1996.

study of 1973.[5] Further, in my academic days, I testified as an expert witness in the USLife Credit case, which concerned consumer disclosures in this area. Following denial to defendants of certiori by the Supreme Court, this case is still a ruling case concerning TIL disclosure procedures in this area (USLife vs. FTC, 559 F2d 1387 (Fifth Circuit, 1979)).

Because of this longstanding research and professional interest, I have decided to offer this comment on the credit insurance portion of the Board's current proposal that is part of the ongoing Regulation Z review (Docket R-1390). The credit insurance part of the proposal contains some provisions that do not seem to me to reflect properly the nature of the product, the wording or intent of the Truth in Lending Act itself in this area, or the Board's own record of four decades of appropriate regulation of disclosures for this product. Fortunately, a very few small wording changes to the model form would provide significant improvement, while retaining the general thrust of the proposal and the overall improvements it entails. The following sections elaborate upon these points.

1. Nature of credit insurance.

As I have learned from the research projects mentioned, credit insurance is a niche product and, although sometimes controversial in some quarters, is not generally very well known or understood except by actual users and producers. Traditional credit insurance today is actually quite limited in scope. For instance, according to the American Council of Life Insurers, at year end 2009 there was $126 billion of credit life insurance in force, less than 1 percent of the total of life insurance in force in the United States. The volume of credit life insurance in force peaked in 1989 at $260 billion, which represented about 3 percent of life insurance at that time.[6]

Credit insurance is a complement to many consumer credit arrangements and generally not part of the credit arrangement itself. The term generically refers to a collection of insurance products that either pay off credit obligations in their entirety or continue required payments on consumer credit outstanding if unfortunate events like death or disability occur to covered debtors. There also is credit property insurance that insures collateral associated with some consumer credit contracts. Credit insurance is only available along with a credit arrangement, but by no means covers all consumer credit contracts.

Credit insurance has been around for decades, and its basic purpose and components are very simple. It arose from an identifiable

[5] Charles L. Hubbard, ed., *Consumer Credit Life and Disability Insurance,* Athens, Ohio: College of Business Administration, Ohio University, 1973.

[6] American Council of Life Insurers. *Life Insurance Fact Book 2010.* Washington: American Council of Life Insurers.

market demand in the early twentieth century, like widespread consumer credit itself. The innovation underlying credit insurance was the simple idea of risk reduction by insuring debtors and their families against inability to repay consumer credit owed due to unforeseen personal disasters like death, sickness, disability, or loss of property that sometimes happen to debtors and cause them or their families financial distress. It was a classic meeting of demand and supply: many consumers entering into credit arrangements were uncomfortable and found that reducing financial risk to their family was attractive. Lenders also found reducing the risk of their loan portfolio was attractive, as well as being a to sell additional financial products where there was a demand.

In recent years, some lenders have offered a competing set of products often called "Debt Cancellation Contracts" ("DCCs") and "Debt Suspension Agreements" ("DSAs"). Creditors offering these new versions of consumer credit risk management typically offer them under their own brand monikers, like "credit protector," and avoid any mention of insurance, although they work much the same way as traditional credit insurance from the consumer standpoint. Federal banking regulators and courts have declared these newer forms of similar protection as banking products and not strictly insurance under state laws. Consequently, they are regulated differently (except under federal Truth in Lending where their regulation is the same) and they are not included here in this discussion about traditional credit insurance. For instance, because DCCs and DSAs are not actually counted as insurance for state regulatory purposes, their volume is not included in figures on insurance in force.

2. Regulation of credit insurance

All fifty states extensively regulate credit insurance, including types, licensing of agents, forms, pricing, and consumer disclosures. State insurance departments also engage in inspections and enforcement. Although each of the individual states has adopted its own insurance code, most state regulation is based upon a "Model" insurance act promulgated by the National Association of Insurance Commissioners (NAIC), the national organization of the state insurance commissioners. As you might imagine (especially after all the discussion recently over the price regulation the Board must implement on debit card interchange fees as mandated by legislation), the price ceilings have long been controversial. Nonetheless, they have been an important part of state regulation for decades. Evidence suggests that the price regulation is under constant review and dynamic. Between 1984 and 2008, for instance, thirty-nine states lowered their price ceiling for credit life insurance (none raised it).[7]

---

[7]See Consumer Credit Industry Association, *The Fact Book of Credit Related Insurance*, October 12, 2009, p.18, Table "Credit Life Insurance Prima Facie Premium Rate History Single Premium Prima Facie Rate ($/$100/year) at End of Calendar Year."

More important for discussion here, the state rules also require extensive consumer disclosures. The NAIC apparently has promulgated its model state disclosures taking federal Truth in Lending disclosures into account and extending them as the state commissioners feel is appropriate, useful, and not redundant. It follows that changes to federal Truth in Lending rules (Board Regulation Z) should not counteract, undermine, or be redundant with rules previously promulgated and implemented by state officials who have considerably more experience with the products and disclosures in question.

The NAIC Model Act requirements for credit insurance disclosures to consumers are extensive and detailed (the relevant section of the NAIC Model Act is attached here as an appendix). They include pre-purchase disclosures of the optional nature of the purchase, types and descriptions of insurance included, conditions of eligibility, mandatory rescission rights, a warning that if the purchaser already has similar insurance this insurance may not be needed, limitations and exclusions, and pricing. The requirements also specify how the disclosures must be made (e.g. timing) and how they must be evidenced by delivery of he policy or certificate. (Details of all these matters are in the appendix to this letter, from the NAIC.)

Compared to state requirements, federal disclosure requirements for credit insurance have been much more limited, but they extend to the original passage of the Truth in Lending Act in 1968. At that time, Congress said that premiums for credit insurance were not part of the TIL finance charge if certain disclosures were given that the insurance was not a factor in approving the loan.[8] The corresponding requirements of implementing Regulation Z are also quite simple and longstanding (except for later extension to similar DCC and DSA products). The Regulation Z requirements include notice that the insurance is not required (if it is to be excluded from the finance charge) but also the amount of the premium and term (Regulation Z 226.4(d)). There has never been a mandate in either the act or regulation for other federal disclosures that are redundant or inconsistent with the state requirements.

3. Consumers and credit insurance

Despite being a niche product, survey evidence has shown consistently that credit insurance is important to its users. This

---

[8] I have written at considerable length elsewhere my view that this Congressional decision was correct if Truth in Lending disclosures were, as Congress clearly indicated they were, to be disclosures about the cost of credit and not the cost of something else or about combinations of things. See Thomas A. Durkin and Gregory Elliehausen, *Truth in Lending: Theory, History, and a Way Forward*. New York: Oxford University Press, 2011 in press, Chapter 4 "What is Truth in Lending? Key Conceptual Problems Facing the Truth in lending Act." See also Ralph J. Rohner and Thomas A. Durkin, TILA 'Finance' and 'Other' Charges in Open end Credit: The Cost of Credit Principle Applied to Charges for Optional Products or Services. *Loyola Consumer Law Review* (Volume 17, Number 2), 2005.

finding is evident in the consumer survey efforts undertaken by myself and other Board economists, as well as in the Purdue and Ohio University studies undertaken elsewhere.

This is not to say that all consumers purchase credit insurance. Many consumers have additional insurance or assets which they can draw upon to repay loans in the case of emergencies, or they are not particularly risk averse and do not find additional insurance worth the cost.

The only way to determine extent of use of credit insurance is to undertake a population survey, which has been done occasionally by the Board and others but only infrequently. I reported results of these surveys in an article in the *Federal Reserve Bulletin* in 2002.[9]

Specifically, the 2001 survey showed that the penetration rate of credit insurance sales on closed-end consumer installment credit (the only kind of credit where such comparison over time was possible), had declined sharply since the previous survey. From sales penetration exceeding three fifths in 1977 and 1985, the ratio had fallen to between one fifth and one quarter in 2001. The penetration rate on junior-lien mortgage and credit-card credit was similar to insurance penetration on installment credit in 2001, with insurance penetration on first-lien mortgage-related credit measured a bit higher than on other types of credit.[10]

Although sales penetration appears to have fallen over recent decades, it seems that the attitudes of actual purchasers of the product among installment credit users have not changed over time, as evidenced by the most recent survey. More than 90 percent of installment credit users with credit insurance continue to maintain a favorable attitude toward the insurance in 2001, almost the same proportion as in 1977 and 1985. Furthermore, about nineteen in twenty purchasers of credit insurance on installment credit in 2001 said that they would purchase again, the same proportion as in 1985, the only other observation date available on this question.

I do not think these survey findings are especially surprising, given the uncomfortable feeling that many consumers have when entering into credit arrangements and evidence from the Board's Surveys of Consumer Finances on low levels of life insurance among many families. The most recent survey (2007) shows that more than two fifths (41 percent) of families at that time had less than $10,000 of life

---

[9]Thomas A. Durkin, "Consumers and Credit Disclosures: Credit Cards and Credit Insurance, "*Federal Reserve Bulletin*, April 2002.

[10]It is possible that some of the credit insurance reported on first-lien mortgage credit is actually other kinds of term life insurance purchased at or near the time of mortgage origination but which meets the description of credit-related insurance in the minds of consumer respondents. This would be less likely with second-lien credit and especially with insurance on installment credit.

insurance but among them 26 percent had a mortgage loan outstanding and 23 percent had automobile credit. Median family income of this group was $26,000 (see Table 1). Another 25 percent of families had relatively small amounts of life insurance ($10,000 through $99,000) but two fifths of them (42 percent) had a mortgage and a third (33 percent) had auto credit. Median family income of this group was $40,000.

Low levels of both income and life insurance among many credit users suggests good reason for that uncomfortable feeling when entering credit arrangements: possible loss of key family assets in addition to income upon loss of a breadwinner. Figures on amounts of health care coverage among those with various kinds of credit outstanding are not available, but with all the discussion this year, underinsurance in the health care area is certainly well enough known.[11]

4. The current proposal.

---

[11]As you may recall, I generally do not like recitation of anecdotes in discussions of either research or policy, but one from Gary Fagg is worth repeating because of its poignancy in an area we hear relatively little about. He is one of the leading actuaries in the credit insurance field and author of a textbook in this area. Following almost five hundred pages of technical material including extensive use of tables and equations in this niche textbook, it is almost startling to come upon the closing paragraphs of the book (Gary Fagg, *Credit Life and Disability Insurance*. Springfield, Ohio: CLICO Management, Inc., 1986, p.469-70):

> Still, the social value of insurance proves itself at claim time, often having far reaching benefits beyond the amount of money provided. No group has a greater appreciation of insurance than the actual beneficiaries of claim payments. Their loyalty to insurance is not surprising; the author's own experience is typical of the testimonials for insurance:
>
> My parents worked at low paying jobs in southern hosiery mills, an industry not known for its health benefits. After I left home to attend college, my parents purchased an automobile. My father borrowed about $1,500 to buy a 1964 Corvair. Shortly after, the furnace went out creating a $900 unexpected expense that could only be covered with another loan.
>
> Then disaster struck. He became seriously ill and his deteriorating condition left him unable to work again. He died after a difficult 24 months. My mother continued working as a clerk in the hosiery mill, struggling to support herself and my younger brother and cover the additional medical expenses. However, there were two monthly bills that she didn't have to worry about, the payments on the car loan and the furnace repairs.
>
> Whether my father purchased credit life and disability insurance on those two loans voluntarily or was "coerced," I will never know. But no one who knew us then could doubt the wisdom of the purchase. Without the cushion of the disability benefits and the subsequent death claim payment, the financial crisis would have been crippling.
>
> Without the insurance, my education would have been interrupted to help pay the bills. Without the credit insurance coverage to protect our family, it may have drastically altered the course of my life and this book on credit insurance may never have been written.
>
> In summary, credit life and disability insurance products have a proven track record of providing essential benefits to borrowers. Consumers desire the products and elect the coverages in great numbers. The products are an essential component of the consumer borrowing process which has done so much to produce the highest standard of living in the world.

Despite the decades of experience, the apparent intent and history of the TIL Act itself, and significant judicial review, the Board now proposes to make fundamental revisions to its disclosure approach and proposes much more prescriptive disclosures. Justification appears to be results from a tiny focus group effort that does not appear well informed about the basic intent of TIL itself, or of state regulation of credit insurance.

More specifically, the Board proposal is to replace the long required familiar credit insurance purchase disclosures and accompanying certification of the voluntary nature of the insurance purchase with a tabular format. The wording in the table is based in large part on a proposed model form tested on a small focus group by the Board's contractor testing company. While I believe everyone agrees that consumer testing is a worthwhile component of regulatory rule writing, the tests should focus on materials that are not on their face misleading, unclear, or containing elements that easily could lead to the wrong consumer decision. In my view, both the form proposed and the small test suggested to justify it in this case are inappropriate, and they apparently have led to a proposal not consistent with the Truth in Lending Act or the appropriate Board rule writing in this area in past decades. Fortunately, the whole section can easily be improved by only some small tweaks to the proposed wording of the model form.

In more detail, the following difficulties with the proposal are evident on the face of the required model form:

First, generally, the proposed model form appears intentionally designed to increase anxiety over the insurance complement to the credit transaction. The relevant language in the Truth in Lending Act (TILA) itself suggests no such objective. Rather, the wording of this section of the Act was drafted in 1968 so as to separate properly disclosure of credit costs (finance charges) from disclosure of other purchases (in this case insurance). The Truth in Lending Act itself makes abundantly clear the importance: of this objective in the Act's preamble:

> The Congress finds that economic stabilization would be advanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uniformed use of credit....

A cost disclosure should not presume to suggest any particular behavior. Appropriate behavior depends upon the individual consumer's own circumstance, which is precisely the reason for disclosure of costs: that consumers can compare them. It is especially dangerous to promote any particular behavior concerning purchase of insurance, because the insurance component is precisely the part of the transaction that can reduce risk for underinsured consumers.

Second, for the above reason, the initial wording "Stop. You do *not* have to buy credit life insurance to get this loan. Go to www (etc.) to learn more about this product" is very unfortunate. It is unduly negative, it does nothing to increase cost knowledge, and it potentially increases anxiety by suggesting purchasing the insurance is wrong. It then recommends a course of action (going to a government website) that no one is going to do at the point of sale. This statement should be eliminated.

Third, the "disclosures" in the first box concerning "Do I need this product" are at best misleading and often just wrong. The fist sentence, "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product" may be correct in many cases, but it does not describe the correct choice accurately. Rather, the decision to take the credit insurance concerns whether the consumer has sufficient insurance or savings to extinguish the debt *and* amounts sufficient for other aspects of the financial emergency. If the answer to *this* question (not the one on the proposed disclosure) is no, the family with the loss of a breadwinner may face the loss of the asset, the loss of ability to weather other aspects of the financial emergency, or both.

In the same box, the second sentence "Other types of insurance can give you similar benefits and are often less expensive" is misleading for two reasons. At the outset, small amounts of term insurance such as necessary to cover credits like automobile or personal loans may well not be available to anyone at a lower price. Large amounts of insurance may be available at lower rates per dollar of coverage, but minimum insurance coverage may well be greater than the amount of the loan and, therefore, the total cost of this coverage greater than the cost of the credit insurance. State laws require that credit insurance exactly equal amounts of the underlying credit.

Furthermore, state regulations for credit insurance do not permit underwriting differentiations among customers. Thus, older consumers, smokers, those in dangerous professions, and others would otherwise have to pay higher premiums for similar amounts of ordinary term insurance, assuming other coverage in the appropriate amounts is available at all.

Third, the statements in the next box, labeled "How much does it cost?" simply are not clear. Why not just say what happens, i.e. what is the initial premium and how does it change?

Fourth, the next box is not as clear as it could be either. Rewording as discussed below would be an improvement.

Fifth, the underlined wording in the next box is unduly negative and certainly unclear. State law does not permit sale of insurance for which there is no benefit and so why require a statement that somehow implies this possibility? If there are eligibility restrictions such as age restrictions, or exclusions such as suicide, war, and personal aviation such as common in other consumer insurance policies, why not state this fact in a simple manner?

Sixth, why include wording with the check box that does not accurately describe the insurance in question? The wording suggests that the premium amount somehow descends from the initial month amount of $72. Why not just state clearly the declining nature of the premium amount from the initial month's amount?

Fortunately, a way out of these problems is available simply by improving and clarifying the language in the boxes while retaining the general tabular format of the new disclosures. I have recently become aware of existence of such language already available as I have been rounding up information to update certain tables concerning credit insurance in my forthcoming book on consumer credit products and markets.[12] In this process, I have become aware of a large industry sponsored field test recently underway of possible disclosure wording in this area. I am sure that those undertaking this project will be forwarding this language to you along with the results of their field test.

In my view, the proposed alternate language used in this field test is much better than the Board's proposal on the dimensions outlined above. I think the Board should adopt this alternate wording (see Table 2 here). The wording is not unduly negative, it is not misleading about the decision at hand, and it is clearer and more informative. I suspect that the field test results will show that it is more effective with consumers than the Board's proposal, and I look forward to seeing the test results. It is interesting, I think, to note that at the disclosure symposium sponsored by the US Treasury Department earlier this month, many participants emphasized the importance of large field tests as necessary extensions to preliminary small focus group work.

Thank you for your attention to this lengthy letter on only a small portion of the massive proposal. Also, importantly on December 20, best personal regards and wishes for a happy holiday season.

Sincerely,

Thomas A. Durkin

[12] Thomas A. Durkin, Gregory Elliehausen, et al., *Consumer Credit and the American Economy*, New York: Oxford University Press, 2011 (forthcoming).

Table 1

Life Insurance Holding Among Families in 2007

	Proportion of families	Median Income of families	Proportion of these families with mortgage[1]	Proportion of these families with auto credit[1].
With life insurance amounts of:				
$10,000 or less	41	$26,000	26	23
$10,000 to $99,999	25	40,000	42	33
$100,000 to $499,999	24	72,000	67	49
$500,000 or more	11	126,000	81	46
Total	100			

[1]Proportion of families with this amount of life insurance who have credit of this type outstanding.

Source: 2007 Survey of Consumer Finances

Table 2

OPTIONAL CREDIT LIFE INSURANCE

PLEASE READ THESE IMPORTANT DISCLOSURES

THIS PRODUCT IS OPTIONAL. You do not have to buy credit life insurance to get this loan

What is it?	Credit life insurance provides protection for borrowers who take out loans. It is designed to reduce or pay off the outstanding balance on this loan (up to the maximum benefit amount) if you die during the term of the insurance.
Do I need this product?	Credit life insurance supplements any existing life insurance you may have by providing protection for this loan. You may wish to speak with your insurance agent about your insurance needs.
How much does it cost?	Based on your initial loan amount, the cost of this product will be **$72.00 in the first month**, and is scheduled to decrease each month as your loan balance decreases.
What is the maximum benefit amount?	This product will pay the insured outstanding balance as of the date of your death, up to $100,000. You will be responsible for any loan balance that remains after the benefit has been applied to your loan.
Are benefits always payable?	You meet the initial age eligibility requirement. However, there are other eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under this product. For example, benefits would not be paid if your death is a result of suicide within the first two years of coverage. You should carefully read the product contract for details.
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 buy optional credit life insurance.

☐ No, I do not want to buy optional credit life insurance

x____________________________________ ______________________

Signature Date

CONTINUE

Appendix

Consumer Disclosures Required Under
NAIC Consumer Credit Insurance Model Act

Section 6. Disclosure to Debtors and Provisions of Policies and Certificates of Insurance

A. Pre-purchase disclosure. Before the debtor elects to purchase consumer credit insurance in connection with a credit transaction, the following shall be disclosed to the debtor in writing;

(1) That the purchase of consumer credit insurance is optional and not a condition of obtaining credit approval;

(2) If more than one kind of consumer credit insurance is being made available to the debtor, whether the debtor can purchase each kind separately or the multiple coverages only as a package;

(3) The conditions of eligibility;

(4) That, if the consumer has other insurance that covers the risk, he or she may not want or need credit insurance;

(5) That within the first thirty (30) days after receiving the individual policy or group certificate, the debtor may cancel the coverage and have all premium paid by the debtor refunded or credited. Thereafter, the debtor may cancel the policy at any time during the term of the loan and receive a refund of any of the unearned premium. However, only in those instances where insurance is a requirement for the extension of credit, the debtor may be required to offer evidence of alternative insurance acceptable to the creditor at the time of cancellation;

(6) A brief description of the coverage, including a description of the amount, the term, any exceptions, limitations and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium provision, to whom the benefits would be paid and the premium rate for each coverage or for all coverages in a package;

(7) That if the premium or insurance charge is financed, it will be subject to finance charges at the rate applicable to the credit transaction.

B. The disclosures required in Section 6A shall be provided in the following manner:

(1) In connection with consumer credit insurance offered contemporaneously with the extension of credit or offered through direct mail advertisements, disclosure shall be made in writing and presented to the consumer in a clear and conspicuous manner;

(2) In conjunction with the offer of credit insurance subsequent to the extension of credit by other than direct mail advertisements, disclosure may be provided orally so long as written disclosures are provided to the debtor no later than the earlier of

(a) Ten (10) days after the offer, or

(b) The date any other written material is provided to the debtor.

C. All consumer credit insurance shall be evidenced by an individual policy or a group certificate of insurance which shall be delivered to the debtor.

D. The individual policy or group certificate shall, in addition to other requirements of law, set forth the following:

(1) The name and home office address of the insurer;

(2) The name or names of the debtor or debtors, or, in the case of a group certificate, the identity by name or otherwise of the debtor or debtors;

(3) The premium or amount of payment by the debtor separately for each kind of coverage or for all coverages in a package, except that for open-end loans, the premium rate and the basis of premium calculation (e.g., average daily balance, prior monthly balance) shall be specified;

(4) A full description of the coverage or coverages including the amount and term thereof, and any exceptions, limitation and exclusions;

(5) A statement that the benefits shall be paid to the creditor to reduce or extinguish the unpaid debt and, whenever the amount of insurance benefit exceeds the unpaid debt that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor, or to the debtor's estate; and

(6) If the scheduled term of insurance is less than the scheduled term of the credit transaction, a statement to that effect on the face of the individual policy or group certificate in not less than ten-point bold face type.

E. Unless the individual policy or group certificate of insurance is delivered to the debtor at the time the debt is incurred, or at such other time that the debtor elects to purchase coverage, a copy of the application for the policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name or names of the debtor, the premium rate or amount of payment by the debtor for the insurance and the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time the debt is incurred or the election to purchase coverage is made. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty (30) days of the date upon which the debt is incurred or the election to purchase coverage is made, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in Section 5.

F. The application, notice of proposed insurance or certificate may be used to fulfill all of the requirements of Subsection A and Subsection D if it contains all of the information required by those subsections.

G. The debtor has thirty (30) days from the date that he or she receives either the individual policy or the group certificate to review the coverage purchased. At any time within the 30-day period, the debtor may contact the creditor or insurer issuing the policy or certificate and request that the coverage be cancelled. The individual policy or group certificate may require the request to be in writing or that the policy or certificate be returned to the insurer or both. The debtor shall, within thirty (30) days of the request, receive a full refund or credit of all premiums or insurance charges paid by the debtor.

H. If the named insurer does not accept the risk, the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged, and, if the amount of premium is less than that set forth in the notice of proposed insurance, an appropriate refund shall be made within thirty (30) days. If no insurer accepts the risk, then all premiums paid shall be refunded or credited within thirty (30) days of application to the person entitled thereto.

I. For the purpose of Subsection E of this section, an individual policy or group certificate delivered in conjunction with an open-end consumer credit agreement or any consumer credit insurance requested by the debtor after the date of the debt shall be deemed to be delivered at the time the debt is incurred or election to purchase coverage is made if the delivery occurs within thirty (30) days of the date the insurance is effective.

J. An individual policy or group certificate delivered in conjunction with an open-end credit agreement shall continue from its effective date through the term of the agreement unless the individual policy or group certificate is terminated in accordance with its terms at an earlier date.