



Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

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December 23, 2010

The Honorable Ben Bernanke
Chairman, Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Regulation Z; Truth in Lending – Proposed Rule R-1390

Dear Chairman Bernanke:

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to provide comments in response to the Federal Reserve Board's Proposed Rule amending Regulation Z, which implements the Truth in Lending Act (TILA). PCI is composed of more than 1,000 property casualty insurance companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$174 billion in annual premium 37.1 percent of the nation's property casualty insurance.

Credit insurance provides a mechanism by which consumers can ensure the repayment of loans under certain contingencies, such as the death or disability of the borrower. Benefits payable under a credit insurance policy can allow a borrower or heirs to retain ownership of their home or other assets and to protect their credit score. As such, it can be a valuable product for some consumers. Debt cancellation and debt suspension products can provide comparable benefit to the consumer by waiving all or part of the consumer's outstanding debt.

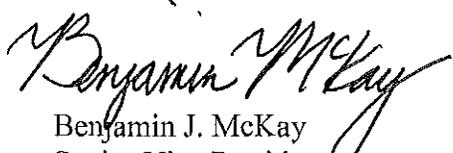
TILA requires that charges for certain credit insurance and debt protection products relating to lending transactions must be disclosed to consumers under certain circumstances. Regulation Z implements those statutory requirements. TILA and Regulation Z require that finance charges be disclosed to consumers, and that charges for premiums for credit life, accident, health, or loss-of-income insurance related to a consumer credit transaction be included in the finance charge in certain circumstances. PCI is concerned, however, that the proposed amendment to Regulation Z goes beyond the statutory mandate to provide factual information about the premiums charged for the insurance product and instead seeks to dissuade consumers from purchasing credit insurance products. We note, in particular, the proposed sample disclosure for the "Option to Purchase Credit Life Insurance" which describes circumstances under which a

consumer “may not need this product” but provides no counter-balancing information about circumstances in which the product may be appropriate to the consumer. The required bold and underlined statement “**You may not receive any benefits even if you buy this product**” seems designed to alarm consumers and dissuade them from purchasing the product rather than to educate and assist them in evaluating the suitability of the product to them. The preamble to the proposed rule describes the process by which the Board devised the proposed new disclosure language, and indicates that surveys were conducted under which various disclosure notices were presented to consumers who were asked whether, after reading the notices, they would purchase the product. The notices included in the regulation were those that caused the smallest number of consumers to express interest in the product. The mandate given the Board under TILA is to help ensure that consumers have the facts they need to make appropriate decisions about consumer credit transactions. It is not to seek to dissuade consumers from purchasing products by requiring that biased notices be presented to them. PCI believes that Regulation Z should not permit (much less require) consumers to be misled by biased warnings. Consumers will benefit only from unbiased, fact-based disclosures.

Finally, we were struck by the absence of any reference in the proposed rule to the fact that all state insurance regulators already require consumer disclosures for credit insurance products. Indeed, 37 states have adopted the National Association of Insurance Commissioners’ Consumer Credit Insurance Model Act and the remaining states all have other disclosure requirements. Unlike the proposed rule, all of these state standards are more focused on educating consumers in an unbiased way. The Board’s failure to consider the extensive state insurance disclosure requirements applicable to credit insurance products could lead to duplicative and even conflicting state and federal requirements, which would only confuse consumers. Moreover, the existence of the state insurance regulatory system results in part from the decision of Congress in the McCarran-Ferguson Act to reserve to the states the power to regulate the business of insurance. Under McCarran-Ferguson, federal laws and regulations cannot preempt state insurance regulation unless the federal law specifically relates to the business of insurance. Because TILA relates to the business of lending and not the business of insurance, we believe the Board lacks the authority to supplant the existing state insurance regulatory requirements regarding consumer disclosures related to credit insurance products.

PCI urges the Board to refrain from promulgating the proposed disclosure requirements applicable to credit insurance products, which we believe will confuse and mislead consumers and are beyond the Board’s authority under the McCarran-Ferguson Act.

Sincerely,


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