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Consumers and Debt Protection Products: Results of a New Consumer Survey

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Debt protection products help consumers pay off a debt or continue or suspend payments upon the occurrence of unfortunate and unpredictable events like death, disability, and involuntary unemployment. The credit insurance version is almost as old as familiar consumer credit itself, but there also are newer forms of debt protection called debt cancellation and debt suspension agreements that will be referred to here simply as credit protection products. Evidence shows that many consumers purchase debt protection when they enter into various kinds of credit arrangements.

Credit life insurance is a form of term life insurance that accompanies credit obligations and repays the debt if death occurs. Credit disability insurance (often referred to as credit accident and health, or credit A&H, insurance) is a form of accident and health insurance, while involuntary unemployment insurance (IUI) is casualty insurance that also can accompany credit arrangements. In the case of either disability insurance or IUI, the insurance company makes the payments during disability or involuntary unemployment up to some maximum benefit period.

As indicated, some other debt protection products like debt cancellation contracts and debt suspension agreements are newer. To differentiate their separate legal status from credit insurance, they are often generically referred to as credit protection products. Like credit insurance, they provide to consumers who purchase them either cancellation of the debt or the right to suspend or defer payment to the lender for a time if covered events occur. These latter products are an agreement between the consumer and the lender and do not involve the sale of insurance to a consumer by a third-party insurer. Despite this difference, from the consumer's standpoint credit insurance and credit protection products work basically the same way. Both kinds of protection typically are offered at the point of sale of a lending arrangement (or sometimes afterward), and they provide the same types of benefits. Debt cancellation and suspension agreements are the most common on open-end credit card plans offered by banks.

Despite availability of debt protection in the form of credit insurance for decades, there still has not been a great deal of consumer research on these products. In particular, consumers' experiences with and attitudes toward credit insurance have been documented only infrequently over a long period of time.[1] This article reexamines consumer experience with these products by reporting on new consumer survey results.

Note: The authors thank the Consumer Credit Industry Association for making the data available for analysis.

[1] The survey results are found in the following sources: Charles L. Hubbard, ed. (1973), *Consumer Credit Life and Disability Insurance* (Athens, Ohio: Ohio University); Joel Huber (1976), *Consumer Perceptions of Credit Insurance on Retail Purchases* (West Lafayette, Ind.: Purdue University); Thomas A. Durkin and Gregory E. Elliehausen (1978), *1977 Consumer Credit Survey* (Washington: Board of Governors of the Federal Reserve System); Anthony W. Cyrnak and Glenn B. Canner (1986), "Consumer Experiences with Credit Insurance: Some New Evi-

The next section of this article describes these products more fully and addresses why they have sometimes been viewed as controversial. The following section provides background for the survey approach to studying these products, and the next examines results of a new nationwide survey of consumers conducted in early 2012. The final section provides a brief summary and conclusion.

Debt Protection Products

Although some debt protection products are not, by legal standards, insurance, consumers see such protection, including both credit insurance and other products, as functionally similar to ordinary kinds of term life and disability insurance. The origin of debt protection products is in the anxiety sometimes felt that death, disability, or another unfortunate life event could cause an earner's family to have difficulty repaying debts or maintaining payments. Because these products' origins are in the lending arena, subsequent regulation has required that the basic nature of the insurance coverage is defined by the terms of the associated credit contract. This requirement has maintained and fostered some continuing differences between debt protections and ordinary insurance and has affected the specifics of related regulation.

One difference between debt protection and ordinary insurance is that the face amount of the debt protection in force is not constant for debt-related products; rather, it declines over the life of the debt as the credit is repaid (or fluctuates in the case of credit card credit). In contrast, most ordinary term insurance is sold in fixed amounts and remains at a constant face amount for the specified period of time.

A second difference arises from the heritage of debt protection in the automobile credit, furniture, appliance, and small cash loan industries rather than in the traditional insurance industry: the small size of typical debt protection contracts. Small sized credit contracts and related debt protection have caused the revenue streams from the protection products to be small as well, leading to highly simplified underwriting, marketing, and paperwork procedures.

In particular, debt protection products developed without a differentiating set of actuarially variable characteristics for pricing, such as sex, age, health, or smoking habits. Furthermore, they were and are still sold part time by lending officers and personnel in the process of booking and servicing consumer credit transactions. Because of account sizes, providers of debt protection have been both unwilling and unable to invest the sums necessary to have it carefully underwritten consumer by consumer or, in the case of credit insurance, sold by independent or ordinary-licensed, full-time insurance agents.

For credit insurance, the lender's personnel function as the sales agents for the insurer (with necessary state licensure if required). For debt cancellation or suspension, loan officers provide the credit protection products approved by their own lending institution. Because of the short term and generally small cash flows, lending officers normally have asked customers only one basic question: whether they want the protection coverage or not. If custom-

dence," *Federal Reserve Bank of San Francisco Economic Review*, (Summer), no. 3, pp. 5–20; John M. Barron and Michael E. Staten (1996), *Innovations in Financial Markets and Institutions*, vol. 10: *Consumer Attitudes toward Credit Insurance* (Norwell, Mass.: Kluwer Academic Publishers); and Thomas A. Durkin (2002), "Consumers and Credit Disclosures: Credit Cards and Credit Insurance," *Federal Reserve Bulletin*, vol. 88, pp. 201–13, www.federalreserve.gov/pubs/bulletin/2002/0402lead.pdf. See also Robert A. Eisenbeis and Paul R. Schweitzer (1979), *Tie-Ins between the Granting of Credit and Sales of Insurance by Bank Holding Companies and Other Lenders*, Staff Study 101 (Washington: Board of Governors of the Federal Reserve System, February), which discusses survey results.

ers do want protection coverage, there may be a secondary question to determine eligibility—for example, customer age. In some cases, there also might be a recommendation that the protection is a good idea.

As noted, there typically has been no pricing differentiation according to sex, age or actuarial mortality, or health characteristics of the customer population, except that credit life insurance coverage generally has been unavailable for those over age 65 (or, in some states, over age 70). This lack of pricing differentiation means, of course, that debt protection products are relatively more attractive for males, older consumers, those in poorer health, and those adopting certain lifestyle choices (smoking, for example). The resulting adverse selection against the insurer or lender, together with the small size of the protection contracts, has led to the argument for sales simplification in order to reduce production costs per dollar of protection.

Although generally required by subsequent regulation to be available to any debtor meeting the age requirements, the simplified marketing of debt protection products through lending personnel rather than through experienced agents has been at times controversial. Part of the contention has been that in the absence of any attempt to explore customers' insurance portfolio needs and their special risk characteristics, potential purchasers receive no professional aid in the purchase decision. Some observers have maintained that the marketing is so simplified that the products and their pricing are not even adequately explained. As a consequence, they contend, some consumers do not consider implications of the purchase adequately or sometimes even understand at all what they purchased or how it works.

Further, for credit insurance, in an effort to save on paperwork and recordkeeping and reduce the need for monthly payments to both the creditor and the insurer, the relatively small premium amounts frequently have been collected in a single premium at the outset and financed in the loan balance. In addition to reducing processing expenses, this approach has the advantage that the protection never lapses, even if the consumer becomes delinquent in making payments on the underlying credit obligation. Nonetheless, criticism of the single premium approach and financing it in the loan has led directly to more widespread prevalence in recent years of protection with a monthly fee instead of a single premium. This approach has become known as monthly outstanding balance protection (frequently abbreviated as MOB insurance or protection). Fees for debt cancellation agreements and suspension agreements also are collected monthly.

As outlined, controversy over credit insurance and credit protection products arises not so much from the usefulness of the products for the protection of assets, credit standing, and general financial well being in the case of personal disasters, as from the methods used in the distribution of debt protection. Critics have argued that the distribution method that takes place at the credit point of sale provides both the incentive and the opportunity for lending personnel to mislead consumers about the usefulness of the insurance or other products and even coerce them into purchasing these products.[2]

In contrast, product supporters have argued that the small size of the debt protection and the limited cash flow arising from small credit insurance and credit protection products

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[2] That such opportunities exist is evidenced by a recent enforcement action against Capital One. In July 2012, Capital One settled an enforcement action brought by the Consumer Financial Protection Board (CFPB) involving the marketing of credit protection and other ancillary products by a third-party vendor. The CFPB charged that the vendors did not always inform credit card holders that the products were optional, did not always provide adequate information on the cost and terms of the product, and misled consumers that the product would improve their credit score or increase their credit limits. See Administrative Proceeding File No. 2012-CFPB-0001 (2012), http://files.consumerfinance.gov/f/201209_cfpb_0001_001_Consent_Order_and_Stipulation.pdf.

have not allowed either extensive careful underwriting or review of a consumer's full insurance and protection needs by trained insurance underwriters or financial planners. Rather, in their view, a very useful one-size-fits-all product line has evolved with no or few underwriting differentiations, in order to reduce costs. So as to avoid "cherry picking" or other possible unfair forms of discrimination for this limited set of offerings, law and regulation in this area have also evolved to the one-size-fits-all approach and now generally permit only very limited differentiation among customers (such as an overall age limit like 65 or 70). Under these circumstances, sales effort and review at the point of sale is going to be short and consumers are going to have to decide for themselves what their overall insurance and financial planning needs are.

Credit insurance has long been subject to regulation that varies by state but generally includes state approval of premium rates charged, policy forms, disclosures, the solvency of the insurance companies, and the sales approaches of producers. Newer debt cancellation and suspension products have been judged by federal banking regulators and by courts as legally a part of lending and not a form of insurance. They are offered by national and state banks as banking products under the National Bank Act and state banking parity laws and are not regulated as insurance under state insurance laws. Instead, they are governed by rules of national and state bank regulatory agencies, in particular rules of the Office of the Comptroller of the Currency (OCC), and are enforced by the OCC and other bank regulators. Despite the legal differences, it is common in public policy discussions of consumer protection to examine credit insurance and other debt protection products together. Although credit insurance is an insurance product and other forms of debt protection are considered banking products, from the consumer's standpoint they provide the same kinds of benefits and are close substitutes.

Both credit insurance and other forms of debt protection are also subject to the federal Truth in Lending Act (TILA). The concern that lenders could mislead and misdirect consumers at the point of sale of credit accounts led to a special provision in the law at its passage in 1968. A section of TILA excludes the charge for debt protection products from the finance charge if there is a separate disclosure of the voluntary nature of the purchase before the charge occurs (see 12 *CFR* 226.4(d)). This provision makes the voluntary nature of the purchase decision a key issue for consumer research.

Survey Background

Over the past few decades, the interest of researchers in consumers' reactions to these products has caused them to undertake a number of interview studies to explore consumer experiences of purchasing debt protection products, especially the sales pressure concern. Past studies have focused on credit insurance, the older form of debt protection. The working hypothesis of such efforts has been two-pronged. First, there may be instances where choice is limited by some abusive lenders. However, if the proportion of accounts with credit insurance or debt protection (the "penetration rate") is well short of universal, then it is difficult to conclude that consumers have no choice in the matter or to argue for changes to make true choice more widespread. Second, if consumers express favorable attitudes toward the protection products in question, then it is likewise difficult to conclude that there is widespread abusive pressure or requirements to purchase products they consider not useful.

Two basic kinds of survey approaches might be undertaken to explore these issues. The first is the geographic area approach—for example, a statewide or nationwide representation. This approach has an advantage in that results reflect the relevant geographic area as a whole, but it presents a challenge in that it is not a very efficient way to obtain feedback about a relatively uncommon event. Such an approach can reveal statewide or nationwide penetration of debt protection purchases on credit accounts, for instance, but it takes a sizable number of expensive screening interviews to do so as not everyone is a credit user and those who are may not be a purchaser of debt protection.

The second approach is obtaining interviews under a sample design that is more limited in scope—for example, customers of a single supplier or a group of suppliers. Companies use this approach frequently when they survey their own customers for marketing purposes and to measure customer satisfaction. The difficulty, of course, is that this approach prevents interviews beyond the confines of the source list employed. A company surveying its own customer base, for instance, learns little or nothing about the customers of other companies. Certainly it is impossible to measure such things as the nationwide sales penetration rate with this approach.

In the past, the Federal Reserve has reported results of nationally representative samples of interviews with users of credit insurance undertaken as part of its program of interviewing consumers from time to time on a variety of financial matters. Surveys using similar questionnaires and the same interviewing organization took place in 1977, 1985, and 2001.[3] This article continues along the lines of Federal Reserve research, using a survey from early 2012 with similar interviews and undertaken by the same survey organization. The new survey uses many of the same questions employed in the late 2001 interviews reported in the *Federal Reserve Bulletin* in April 2002.[4] The differentiating factor of the 2012 survey is that there was an attempt to make sure that debt protection products that were not insurance were also included. There also were a few additional questions in 2012 and a few questions omitted from the 2001 questionnaire. Actual interviewing was conducted all four times by the Survey Research Center (SRC) of the University of Michigan.

New Survey

In January and March 2012, the SRC conducted a total of 1,006 interviews about consumers' experiences with credit insurance and other debt protection products. The SRC's research approach produced a nationwide probability sample of respondents that is representative of the contiguous 48 states within statistical confidence limits. The SRC coded the interview results and provided a machine-readable data set in SAS format. The authors wrote the necessary SAS computer program to produce the tables reported here.

The initial research question dealt with the trend in penetration rates over time, where the term "penetration" refers to the proportion of consumers using a type of credit who simultaneously purchase debt protection products of one kind or another. For analytical purposes, a credit user who indicated purchasing either the life or disability form of either credit insurance or the related banking-product cancellation or suspension forms of protection were counted as purchasers. By counting these individuals and forming a ratio of purchasers to total credit users, it was possible to examine recent penetration rates for various kinds of credit.

The penetration rate on closed-end consumer installment credit was 22 percent in early 2012, about the same as in 2001 (table 1). The rate both years was substantially below the corresponding rates of 64 and 65 percent found in 1977 and 1985, respectively, with similar

3 See Durkin and Elliehausen (1978), Cyrnak and Canner (1986), and Durkin (2002) in note 1.

4 See Durkin (2002) in note 1.

Table 1. Debt protection penetration rates, 1977–2012
Percentage distributions within groups of credit users

Debt protection status	Installment credit				Mortgage credit		Credit card	
	1977	1985	2001	2012	2001	2012	2001	2012
Have	63.9	64.7	22.7	22.0	32.1	23.9	20.1	14.0
Do not have	30.1	33.1	74.4	75.6	60.5	72.3	73.9	82.0
Do not know/refuse	6.0	2.2	2.9	2.4	7.4	3.8	6.0	4.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Here and in subsequent tables, columns may not sum to totals because of rounding.
Source: For source information here and in subsequent tables, see text note 1.

research approaches. This decline is substantial and suggests that if widespread aggressive sales are being attempted, they are not very successful.

The penetration rate on mortgage credit appeared to be in the same general range as on closed-end consumer installment credit, especially in 2012. (Mortgage credit and credit card penetration were not measured in the 1977 or 1985 surveys.) Both years, penetration rates on credit cards were a little lower than on closed-end installment credit. The penetration rates on credit cards were somewhat higher than those measured by the Government Accountability Office (GAO) in 2011. The GAO measured penetration among card *accounts*, ascertained from the files of card issuers. The consumer survey approach should normally be expected to produce a higher penetration measurement, as consumers might have more than one account and not all accounts might have associated debt protection. If consumers have more than one account they are counted as a "yes" if any of their card accounts have debt protection, as was the case with this survey, then the rate measured across *consumers* would be higher than the rate measured across accounts.[5]

To look at the sales pressure issue, the first approach was to question respondents directly about their experience at the point of sale. Respondents with common closed-end consumer credit outstanding were asked about the debt protection offering at the point of sale and whether or not they had purchased any protection products. It appears that experience has changed sharply since 1977.

In 1977, the majority (72 percent) of closed-end consumer credit users who had purchased debt protection said that the creditor had either recommended the purchase or recommended it strongly (table 2). This proportion fell to 36 percent in 1985 and to 29 percent in 2001, before rising a bit to 38 percent in 2012. It is worth noting again that the penetration rate was also much lower in the latter two years. This decrease in the penetration rate means that among closed-end installment credit users, the proportion who both purchased and who noted receiving a recommendation to that effect fell sharply after 1977 due to both lower penetration rates and fewer experiences of a recommendation. In 1977, about 46 percent of closed-end installment credit users reported that they purchased and received a purchase recommendation from the creditor of varying intensity (that is, the 72.4 percent who said that debt protection was "recommended" or "strongly recommended/required" (table 2) of the 63.9 percent who purchased (table 1)). These percentages compare to only about 8 percent in 2012 (37.7 percent of purchasers who said that debt protection was "rec-

5 See Government Accountability Office (2011), *Credit Cards: Consumer Costs for Debt Protection Products Can Be Substantial Relative to Benefits but Are Not a Focus of Regulatory Oversight* (Washington: GAO, March). In this report, the GAO estimated the penetration rate among bank type credit card *accounts* (not among consumers) at about 7 percent.

Table 2. Recommendations concerning debt protection purchase at point of sale on installment credit, 1977–2012

Percentage distributions within groups of users of installment credit, with and without debt protection

Recommendation	Debt protection							
	1977		1985		2001		2012	
	With	Without	With	Without	With	Without	With	Without
Never mentioned	10.6	52.2	14.8	45.2	15.4	53.3	18.7	62.7
Offered	15.0	22.6	44.7	35.5	53.2	33.9	43.5	29.5
Recommended	33.1	17.0	16.4	12.9	12.2	4.1	17.6	0.5
Strongly recommended/required	39.3	2.3	20.1	2.6	16.6	3.4	20.1	0.9
Do not know/refuse	2.1	5.9	3.9	3.9	2.6	5.3	*	6.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Less than ½ of 1 percent.

ommended" or "strongly recommended/required" (table 2) of the 22 percent who purchased (table 1)). After 1977, the proportion of purchasers who indicated the product was merely offered rather than recommended rose sharply, from 15 percent in 1977 to about 53 percent in 2001 and 44 percent in 2012 (table 2).

In each of the survey years except 1985, more than one-half of those who did not purchase a protection product on closed-end consumer credit reported that protection products were not even mentioned by the lender. Even in the exception year 1985, the proportion of those surveyed not hearing any mention was about 45 percent. It seems difficult to argue that people are coerced into buying an add-on or ancillary product to a credit transaction if it is not even mentioned to them at the point of sale. (Some of the purchasers also indicated it was not mentioned, which must mean either they purchased it after some kind of follow-up or they requested it at the point of sale without mention by the lender.) The proportion of nonpurchasers who said the products were not mentioned approached two-thirds (63 percent) in 2012.

The second part of the hypothesis is that consumers who felt pressured to buy an add-on or ancillary product they did not want would probably not be very favorably inclined toward the add-on or ancillary product. To examine this possibility, consumers with and without debt protection were asked about their feelings toward buying the protection, specifically whether such purchase is a good idea or a bad idea.

Experience in 2012 confirms prior findings that the overwhelming majority of purchasers of debt protection on closed-end consumer credit consider the purchase to be a good idea. The proportion answering "good" or "good with some degree of qualification" exceeded 85 percent in each of the interview years (table 3). In contrast, the proportion responding "bad" was less than 10 percent in all but the most recent survey, in which the proportion reached 11 percent. The slightly higher incidence of this response in 2012 may be an artifact of the preceding lengthy recession. It seems possible that if consumers find themselves in a situation in which they realize after the fact that an expenditure on insurance or an insurance-like substitute did not result in a payoff, they may to some degree regret the expenditure at a time when budgets are tight. Of course, consumers did not suffer the loss they insured against either, and the peace of mind entailed with the protection purchase may still resonate with many of them.

Table 3 also demonstrates that attitudes are much different between purchasers and nonpurchasers of the protection products. For the nonpurchasers, attitudes toward the protec-

Table 3. Attitudes toward debt protection among users of installment credit, 1977–2012
Percentage distributions of users of installment credit, with and without debt protection

Attitude	Debt protection							
	1977		1985		2001		2012	
	With	Without	With	Without	With	Without	With	Without
Good	86.7	59.8	89.9	56.4	88.5	32.3	85.5	53.8
Good with qualifications	8.6	18.9	2.9	8.3	3.8	6.1	*	3.2
Neither good nor bad	2.1	9.1	1.9	6.4	3.2	13.9	3.1	1.8
Bad with qualifications	*	2.7	*	2.6	*	1.6	*	0.8
Bad	2.2	9.5	5.2	26.3	4.5	46.0	11.4	40.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Less than ½ of 1 percent.

tion products are decidedly less favorable than among purchasers, although certainly not unfavorable in every case. For those with closed-end consumer installment credit outstanding but who did not purchase debt protection, the view that purchasing protection is "good" or "good with qualifications" has fallen from over three-quarters (79 percent) of respondents in 1977 to 38 percent in 2001, before rebounding in 2012 again to a majority (57 percent). It is possible that this recent upturn is also due to heightened concerns about financial difficulties as a result of the recession. Nonetheless, a somewhat higher portion of nonpurchasers with an unfavorable attitude toward the protection products is consistent with their choices not to purchase.

The attitude measurement in 2012 among users of credit other than closed-end installment credit produced largely similar results. More than four-fifths (82 percent) of those who purchased debt protection on mortgage credit expressed a favorable attitude, and the favorable feeling among credit card holders with protection (77 percent) was almost as high (table 4). Not surprisingly, favorable views among nonpurchasers of protection again were somewhat less common on these kinds of credit, but they still reached 47 percent among mortgage credit users and 45 percent among credit card account holders. Likewise, 48 percent of those with no closed-end credit outstanding were not wholly predisposed against debt protection products (lower right grouping in table 4). Still, the differences in attitudes between purchasers and nonpurchasers of debt protection products suggest that the views of the former should be considered in assessing the value of these products. It seems unreasonable to give undue weight to the views of those not using the products in the first place.

Table 4. Consumer attitudes toward debt protection, 2012
Percent

Attitude	Installment credit		Mortgage credit		Bank card		No closed-end credit (no protection)
	With	Without	With	Without	With	Without	
Good	85.5	53.8	80.4	44.9	77.1	43.7	45.8
Good with qualifications	*	3.2	1.3	2.0	*	1.7	1.9
Neither good nor bad	3.1	1.8	*	2.7	1.6	1.9	2.3
Bad with qualifications	*	0.8	*	*	0.5	0.3	0.4
Bad	11.4	40.5	18.3	50.3	20.8	52.3	49.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Less than ½ of 1 percent.

Table 5. Satisfaction with purchase of debt protection, 2001 and 2012
Percentage distributions within groups of credit users

Satisfied with purchase?	Installment credit		Mortgage credit	
	2001	2012	2001	2012
Very	26.9	38.2	25.8	32.6
Somewhat	63.5	40.9	56.5	52.9
Subtotal: Satisfied	90.4	79.1	82.3	85.5
Neither satisfied nor dissatisfied	3.8	20.9	11.3	10.6
Somewhat dissatisfied	2.6	*	1.6	2.1
Very dissatisfied	*	*	*	1.9
Do not know/refuse	3.2	*	4.8	*
Total	**100.0**	**100.0**	**100.0**	**100.0**

* Less than ½ of 1 percent.

Attitudes were also measured in a related but somewhat different manner. Specifically, purchasers of debt protection were asked directly about their satisfaction with the protection product purchased. Obviously, this view could not be asked of nonpurchasers. Again, using this measurement, purchasers of debt protection expressed favorable views. Approximately four-fifths of purchasers expressed satisfaction in each of the years when measurements were undertaken (table 5). Relatively few expressed dissatisfaction, although some appeared indifferent. Again, it appears important to remember the views of users as well as nonusers in any discussion of the value of debt protection products.

Purchasers also expressed a high degree of willingness to purchase debt protection on future credit use. More than 70 percent of purchasers indicated a willingness to purchase again on both installment and mortgage credit in both 2001 and 2012 (table 6). While a favorable attitude now does not necessarily translate directly into a purchase later, it is also possible that actual purchases could be higher than the attitude expressed now. When entering into the next credit contract, financial anxieties may resurface and purchasing debt protection may again produce the peace of mind that it apparently did in many cases this time. None of these behaviors suggest the kind of unhappiness with a product that might arise if purchasers felt that they were being pushed into the purchase or that the product itself was not very useful.

Overall, favorable attitudes and willingness to purchase again among some consumers do not seem especially surprising, given the uncomfortable feeling that many consumers have when entering into credit arrangements. Evidence from the Federal Reserve Board's Survey of Consumer Finances demonstrates low levels of life insurance among many families. The most recent survey available (2010) shows that more than two-fifths (41 percent) of families at that time had less than $10,000 of life insurance but among them 30 percent had a mort-

Table 6. Willingness to purchase debt protection again, 2001 and 2012
Percentage distributions within groups of credit users

Purchase again?	Installment credit		Mortgage credit	
	2001	2012	2001	2012
Yes	94.2	74.6	71.0	71.2
No	5.8	24.4	24.2	28.0
Do not know/refuse	*	1.0	4.8	0.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

* Less than ½ of 1 percent.

Table 7. Life insurance holding among families in 2010
Percent

Life insurance amount	Proportion of families	Median income of families	Proportion of these families with mortgage[1]	Proportion of these families with auto credit[1]
$10,000 or less	37	$ 27,000	30	20
$10,001 to $100,000	33	$ 40,000	39	28
$100,001 to $500,000	21	$ 74,000	65	43
$500,001 or more	8	$141,000	80	39
Total	**100**			

[1] Proportion of families with this amount of life insurance who have credit of this type outstanding.
Source: 2010 Survey of Consumer Finances.

gage loan outstanding and 20 percent had automobile credit. Median family income of this group was $27,000 (table 7). Another 33 percent of families had relatively small amounts of life insurance ($10,001 to $100,000) but 39 percent had a mortgage and 28 percent had auto credit. Median family income of this group was $40,000. It seems likely that many consumers entering into credit arrangements may well feel that their underinsured condition leaves them and their families vulnerable to unfortunate life events. The purchase of debt protection to cover this loan may provide protection against allowing this loan to add to potential future dislocation, even if it is not a comprehensive insurance or financial planning solution.

Conclusion

In sum, nationwide consumer survey results indicate that sales penetration of debt protection products has fallen over recent decades. It appears that at least part of this trend arises from the declining promotion of these products at the closing of loans. In contrast, consumer attitudes among purchasers have not changed from the high levels of favorable views of users in the past. Purchasers have always been favorably inclined to these products and the recent survey shows that they remain so. Attitudes of purchasers are relatively more favorable than among nonpurchasers, which likely at least partly explains why one group of consumers purchases and the other does not, but even many nonpurchasers remain favorably inclined toward these products.

It seems that the marketplace offers consumers a choice concerning the purchase of debt protection products and consumers exercise that choice as part of their financial decisions about borrowing. While there may be abusive practices among some lenders who operate outside the realm of ethical behavior with respect to the sale of debt protection products, survey evidence suggests that, in the views of consumers, such behavior is not the norm.