CUNA MUTUAL GROUP

INSURANCE | SERVICES | ASSET MANAGEMENT

December 22, 2010

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
regs.comments@federalreserve.gov

RE: Regulation Z: Docket No. R-1390

Dear Ms. Johnson:

Thank you for the opportunity to submit comments on behalf of CUNA Mutual Group (CUNA Mutual), our credit union customers and credit union members to the Federal Reserve Board (Board) regarding the proposed credit protection disclosures under Regulation Z.

The Board has proposed to significantly change the scope and substance of the credit protection disclosures that must be made in connection with the sale of credit protection products in order for the costs of these products to be excluded from the finance charge. CUNA Mutual supports the need to provide fair, accurate and objective disclosures. However, as explained more fully below, CUNA Mutual has grave concerns over the proposed rules and disclosures.

Disclosures should be informative and fairly describe the product. CUNA Mutual has consistently favored fair, accurate and objective disclosures. However, CUNA Mutual is concerned that the proposed disclosures are biased against the product and will have the regrettable effect of discouraging consumers from fairly considering the purchase of a product that fits their needs and circumstance. The proposal also raises serious questions over the interplay between federal and state laws. State laws already include a comprehensive regulatory structure that oversees all aspects of credit insurance, including consumer disclosures.

Our comments begin with foundational information on the purpose and history of credit protection products with particular emphasis on the credit union marketplace, before addressing specific elements of, and concerns we have with, the proposed rules and regulations.

CUNA Mutual is the Largest Writer of Credit Insurance in the United States

CUNA Mutual was created by credit union leaders 75 years ago under the motto, "The Debt Shall Die With The Debtor," in response to significant losses incurred by consumers who at the time were unable to protect their debt obligations.

Today, CUNA Mutual is the largest provider of credit insurance in the United States, with 5.8 million certificate holders of credit life and credit disability insurance and over $600 million in annual premiums, representing about one-third of the credit insurance market place. The average outstanding loan balance that is protected by CUNA Mutual's credit protection products is $6,960.63. CUNA Mutual also underwrites a limited amount of commercial liability policies that provide some credit unions the basis to offer debt protection products to their members.

Credit Protection Products Provide Efficient and Cost-Effective Protection to Credit Union Members

Credit protection products serve an important function for credit union members. They provide access to life, disability and involuntary unemployment protection to people of modest means, many of whom are uninsured or underinsured. Many of these individuals have limited access to insurance products partly because most insurance companies and their agents do not offer products with these low levels of coverage and partly because these individuals do not generally have or take the time to seek out an insurance agent or have relationships with agents.

Credit protection provides a measure of protection conveniently offered in modest amounts for a modest price. Credit protection is offered with limited or no underwriting and at the same rate to all persons, regardless of sex, age, weight, smoking status, occupation or high risk activities. As a result, the products provide critical financial security for many consumers who do not qualify for other types of insurance.

CUNA Mutual's credit protection products are optional. In 2010 alone, 5.8 million credit union members held a credit insurance policy from CUNA Mutual. Over the past five years for credit insurance, CUNA Mutual has insured more than $208 billion in loans. However, only about 15% of credit union members choose to purchase credit insurance to secure their loans. This means almost 85% of credit union members choose <u>not</u> to purchase credit insurance even when given the opportunity to do so. We have attached member testimonials for your review. *See* Attachment A. The testimonials were obtained during the last month as consumers became aware of the Board's proposal.

Credit protection products are not necessary "until you need it" – indeed, the hope is that no one ever needs to use these products because to do so means that a death, disability or involuntary unemployment has occurred. As with any insurance or insurance-like product, the consumer is purchasing a promise and peace of mind. Consider this from the point of view of an actual purchaser of credit protection:

> "I can think of no greater trauma in my life than to lose my husband, my home and my support group. I consider credit life and disability insurance to be an extremely good value. It would have been a good value even if we hadn't used it…just for the peace of mind."
>
> *Marilyn H. on Credit Disability and Credit Life Insurance, Member of First Trust Credit Union, DeMotte, Indiana (Able to keep car, home and maintain life style*

because of credit life and disability insurance after husband's disability and passing)

It is a promise that if a covered event occurs in the future, the insurance company or creditor will reduce the financial losses due to that event. This is not unique to credit protection and it is a reasonable means for consumers to protect their debt obligations and preserve their personal and family assets. As a result, consumers have been able to avoid severe financial difficulties because they voluntarily purchased credit protection to cover their indebtedness. This coverage has given them the ability to repay their indebtedness in the middle of difficult life changing events. The attached member testimonials demonstrate that consumers continue to see value in these products.

Given that we are still emerging from a financial crisis, where the unemployment rate is still very high, we should be advising borrowers to obtain more, not less, insurance to manage their debt obligations. Many Americans lack important insurance coverages and the percentages have dramatically decreased over the past fifteen years. Many employers have reduced or dropped group coverages for their employees to save money. And for employees who have been laid off, the employee's coverage usually ends. *See* Attached articles, "Have life insurance? Is it enough or maybe too much," by Chistine Dugas and Sandra Block of USA TODAY and "Households with life insurance hits lowest level in 50 years," by Sandra Block of USA TODAY (Attachments B and C). The proposed rules and disclosures do the opposite. While not for everyone, credit protection continues to serve a clear and important function for borrowers. We implore you to review the attached testimonials from members who were fortunate to have credit protection on their loans.

CUNA Mutual is a Strong Proponent of Fair, Accurate and Objective Consumer Disclosures

CUNA Mutual has consistently been a strong advocate favoring fair, accurate and objective disclosures. We have worked closely with credit unions to provide them to credit union members. Credit unions offer credit protection to their members in a responsible manner, designed to follow the law and fully inform their members about the product. While there may be bad actors outside the credit union marketplace, and we agree that those few bad actors should be punished for their abuses, the entire industry should not be held responsible for the actions of a few. In such situations, enforcement is more appropriate. To the extent that creditors engage in abusive practices, there are unfair insurance and/or trade practice laws currently on the books that can be (and have been) utilized to address those practices.

With regard to credit insurance, CUNA Mutual has a long history in supporting consumer protection provisions. For example, we have testified in support of banning single premium credit insurance on first mortgages and supported this ban in the recent Dodd-Frank Wall Street Reform and Consumer Protection Act. CUNA Mutual was also actively engaged with the National Association of Insurance Commissioners (NAIC) as it developed their various credit insurance model acts. Over the years, many have recognized our constructive role in the credit marketplace.

The Board Is Charged with Ensuring Meaningful Disclosure

The Board's charge is to ensure the "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 uninformed use of credit." 15 U.S.C. § 1601(a). The Board's proposed rules and disclosures go well beyond providing meaningful disclosure.

Ensuring meaningful disclosure is different than trying to convince the consumer that the product is bad, particularly when state laws and regulations already provide a robust framework, including meaningful disclosures, for regulating this product. Meaningful disclosure enables the consumer to decide on his or her own whether or not he or she wants to purchase the credit protection product based on fair, accurate and objective disclosures. The Board's proposed rules and disclosures move far beyond disclosures by serving to discourage consumers from purchasing the products.

The Board's proposed rules and disclosures will have a chilling effect on credit union member purchases of credit protection. Like all consumers, credit union members need as much help as possible, and it is imprudent of the Board to create rules and disclosures that discourage members from purchasing these products. As many studies demonstrate, including those of Elizabeth Warren, uninsured illnesses and injuries contribute to a significant percentage of all bankruptcies in the United States. *See* Market Watch Illness and Injury as Contributors to Bankruptcy, Health Affairs, February 2005.

Regulatory action should help consumers, not hurt them. Regulations that decrease the likelihood of appropriate protection products would leave many consumers worse off. As the testimonials demonstrate, real people depend on these products for peace of mind and financial planning at a time when many families are exposed to financial distress.

Credit Protection Also Provides Important Value to Credit Unions

Credit unions are cooperatives chartered to promote thrift among their members and create a source of credit for them at fair and reasonable rates of interest. *See, e.g., Community First Credit Union v. United States*, No. 08-C-57, 2009 U.S. Dist. LEXIS 60283 at *4-5 (E.D. Wis. July 14, 2009) (Credit protection promotes credit union thrift). The concept of thrift is tied to sound financial management.

Credit protection products provide value to credit union members and help credit unions promote thrift. *See Bellco Credit Union v. United States*, No. 08-cv-01071-CMA-KMT, 010 U.S. Dist. LEXIS 33047 at *37 (D. Colo. May 2, 2010) ("Credit Insurance is clearly and substantially related to promoting member thrift."). *See also Community First Credit Union v. United States*, No. 08-C-57, 2009 U.S. Dist. LEXIS 60283, (E.D. Wis. July 14, 2009). Members, as owners of credit unions, receive protection on the loans to members who suffer unexpected events (disability, death or unemployment). The payments and cancellations decrease charge offs and loan losses. The products help promote the financial viability of the organization as a whole. For credit unions, which are not-for-profit, these products add to the safety and soundness of the credit union, while also serving the interests of the credit union's members.

The Board's Own Research Finds Credit Protection to be a Valuable Product

The Board is also ignoring over 25 years of its own history and research. The Board's own materials on credit protection – particularly, the 1985 and 2002 studies on credit insurance – support the value these products provide to consumers. *See* Anthony W. Cyrnak and Glenn B. Canner, "Consumer Experiences with Credit Insurance: Some New Evidence" (1985) (1985 Study) and Thomas A. Durkin, "Consumers and Credit Disclosures: Credit Cards and Credit Insurance" (2002) available at: http://www.federalreserve.gov/pubs/bulletin/2002/0402lead.pdf (2002 Study).

These studies unequivocally found credit insurance to be voluntary and valuable to purchasers. The studies also demonstrate that the abuses consumer advocates have alleged are wide-spread have never been substantiated. Both studies provide credible grounds for the proposition that the underlying "problem" the proposal seeks to address is unnecessary. Indeed, the studies support the view that the Board's proposed rules and disclosures go too far.

For example, the Board's 1985 study found that:

- "Survey findings indicate that credit insurance is purchased frequently, that consumers generally do not feel pressured into buying the product, and that consumers view credit insurance quite favorably. Past abuses in the marketing and sale of credit insurance therefore may have been overstated or have declined in recent years." See page 5.

- "Two important conclusions emerge from the consumer surveys. First, consumers believe that creditors base their decisions to grant credit on factors other than consumer decisions whether to purchase credit insurance. Second, consumers who purchase credit insurance believe it is a valuable product and would be inclined to purchase insurance in the future." See page 7.

In addition, the Board's 2002 study found:

- Almost 90% of policyholders in 2001 had a favorable attitude toward the credit insurance – almost the same proportion as in 1977 and 1985. See page 11.

- Consumers viewed the product to be "good or good with some qualification," and that "about nineteen out of twenty purchasers of credit insurance for installment credit in 2001 said that they would purchase it again."

- The 2002 study concluded: "According to the views expressed by the many users of credit insurance, eliminating this product by regulation could be disadvantageous to them."

The Board's research indicates that consumers understand and value credit insurance. It is clear that the current credit protection disclosures are effective. In light of this, we ask: what is the Board's reason for proposing sweeping changes to the credit protection rules and disclosures?

The Board has exceeded its authority in attempting to create rules and disclosures that seek to discourage consumers from purchasing credit protection. It will also undoubtedly have a negative impact on credit union members. Furthermore, we question what record or evidence the Board is relying on to justify such sweeping changes to the credit protection disclosures. Even with due deference to a regulator, courts are likely to find the record to be incomplete and insufficient.

We urge the Board to retract the proposed credit protection rules and disclosures or, at the very least, modify them to ensure that they are fair, accurate and objective.

Federal Courts Agree that Credit Protection is a Valuable Product

After considering evidence, including member testimonials, federal courts have agreed with the Board's 1985 and 2002 studies in finding credit protection to be valuable products for credit union members. Two recent federal court decisions support the view that consumers make knowledgeable decisions when purchasing credit protection and consumers value credit protection products.

The courts agree that, to fully understand the products, one must consider the whole of the consumer's purchasing experience in the equation. *Community First Credit Union v. United States*, 2009 U.S. Dist. LEXIS 60283 at *4-5. The court in *Community First* asked, even if other insurance may have been available "at lower prices (which was not always true, given the small dollar amounts being insured), would it have been 'thrifty' for a consumer to turn down the credit union's insurance and spend countless hours researching alternative insurance products only to save a few dollars?" The court said no – these other insurance products are not as good a value as credit protection when **all** the relevant factors are taken into consideration – peace of mind, price, convenience, security, etc. *Community First Credit Union v. United States*, 2009 U.S. Dist. LEXIS 60283 at *4-5.

Credit protection purchasers agree:

> "If this coverage hadn't been available at my credit union or if the process to purchase it was convoluted, I probably would have gone without. As it was, the process was very easy ...we just answered three questions and signed on the dotted line. The Loan Officer made it very clear that coverage was optional and the insurance offered by the credit union was very reasonably priced compared to a life insurance policy. We just added the insurance on to our monthly payment and I hardly noticed it.
>
> If the disclosures and enrollment process become too complicated, the people that really need these products probably won't take advantage of it."
>
> *Mary C. on Credit Disability and Credit Life Insurance, Member of American Heritage Federal Credit Union, Philadelphia, PA (Because of credit life*

insurance, allowed to stay in her home, protect her credit rating and her other assets when husband passed at the age of 51)

Furthermore, it is not appropriate for the Board to second-guess the business decisions of credit unions in providing credit protection products. *See Bellco Credit Union v. United States*, No. 08-cv-01071-CMA-KMT, 2010 U.S. Dist. LEXIS 33047 at *37 ("[I]t is not the province of this Court to second-guess the business decisions of Bellco. That Bellco might have offered its customers a better value, in terms of insurance coverage for an even lower premium, does not mean that Credit Insurance was a bad deal or did not promote thrift."). The Board should limit its concerns to whether or not consumers are given sufficient information to make an informed credit decision. Given the emphasis under existing disclosure requirements for credit protection, we believe adequate disclosure requirements already exist.

Well-Established Credit Protection Disclosures are Already Required

Credit insurance is already highly regulated in all fifty states. States actively regulate all aspects of credit insurance, including rates, forms and disclosures, perform market conduct examinations, and bring enforcement actions. If the Board does not retract its proposed rules and disclosures, CUNA Mutual strongly urges the Board to modify them to allow creditors to rely on the disclosures already being provided under state law during the sale of credit protection.

For example, the NAIC, the organization of insurance regulators for the 50 states, the District of Columbia and the five U.S. territories, provides a forum for the development of uniform policy. The NAIC has developed several model laws and regulations for credit insurance. Each state has adopted one of these models, or a comparable version, in their respective insurance codes. *See* Attached chart discussing State Insurance Disclosures (Attachment D). Through these laws and regulations, states mandate pre-purchase disclosures and/or require disclosures on enrollment forms. Coverage terms are further provided on the certificate of insurance.

For example, the NAIC Consumer Credit Insurance Model Act (Model Act 360, Section 6) already addresses the themes in Board's proposal. Section 6 requires the following disclosures:

- Purchase is optional and not a condition of obtaining credit approval;
- Whether the debtor can purchase each kind of credit insurance separately or coverage only as a package;
- Conditions of eligibility;
- If the consumer has other insurance that covers the risk, consumer may not want or need credit insurance;
- Within the first 30 days, the debtor may cancel the coverage and have all premiums 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; and
- 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 in a package.

Virtually every state has adopted the same or substantially similar requirements, which are regulated through form filing approval processes and actively monitored state market conduct examinations of insurance company practices. This means that each state regulator reviews and approves these disclosures and forms before insurers can use them.

Like credit insurance, debt protection products, which are ancillary loan-related products, are subject to disclosure standards. Rules promulgated by the Office of the Comptroller of the Currency (OCC) also address the themes in the Board's proposal for debt protection products. *See* 12 C.F.R. 37.1 *et seq.* The OCC Rules require a creditor to disclose:

- That the product is optional;
- If there is a lump sum payment of fee with no refund;
- What the refund of fee paid in lump sum situation is;
- That borrower will be given additional disclosures before purchase;
- Any eligibility requirements, conditions, and exclusions;
- The workings of any debt suspension agreement, if applicable;
- That borrower can elect, where applicable, to pay in a lump sum;
- The amount of fee;
- If use of card or credit line restricted; and
- Termination provisions.

The above disclosures are required for credit insurance and debt protection as a separate requirement from Regulation Z. Thus, the Board's proposed rules and disclosures will simply duplicate what is already required to be provided. Adding to the current disclosures will merely add cost, be burdensome to administer, and will lead to consumer confusion due to the duplicative and overlapping nature of the disclosures. We urge the Board to listen to actual purchasers of credit protection:

> "When the credit union explained the credit life and credit disability policies to us it was not complicated. The policy is very straight forward about what is covered and what is not. The loan officer presented it as an option to us and very clearly showed what the loan payment was with and without the insurance."
>
> *Carrie M. on Credit Disability Insurance, Member of Rock Valley Federal Credit Union, Loves Park, IL (Credit disability paid for car payments while on bed rest during pregnancy and allowed her to pay for memorial expenses for her daughter rather than put the expenses on a credit card or take out a short-term loan)*

At a time when regulators are espousing straightforward, comprehensible disclosure to consumers, the Board should not require creditors to provide dual sets of competing disclosures.

The Board Relied on a Statistically Insignificant and Biased Study in Developing the Proposed Rules and Disclosures

As discussed above, the Board conducted significant studies (i.e., the 1985 and 2002 Studies). Nevertheless, it appears the Board is ignoring its own prior research and is instead relying on a recent study that does not have the same statistical significance or credibility. By ignoring the previous research, the record established by the Board as the basis for the proposed rules is deficient and fails to adequately discuss the attributes of these products. CUNA Mutual believes the most prudent course of action is for the Board to withdraw the proposed rules and undertake extensive further study of the current disclosures and their effectiveness, as well as the value that consumers place upon these products before attempting to regulate the operation and disclosure of these products. By relying on a statistically insignificant study, the Board has proffered a set of rules and disclosures that are inaccurate, confusing, and create a negative tenor against credit protection.

The Board tested its credit protection disclosures on only **18** participants (10 in one round and 8 in the final round). Such a practice does not lead to a statistically reliable result. Furthermore, the study tested only a credit life disclosure, despite the fact that there are multiple variations (in loans, products, premium differentials) in the marketplace. How will these disclosures function when they are provided together with unaligned state and federal disclosures? Will competing disclosures increase consumer confusion? Has the Board even considered these questions when it is clear that the Board has not studied or tested any of these real world implications.

In addition, the study did not test the current Regulation Z credit protection disclosures, nor did it test the current credit insurance or debt protection disclosures that are currently and extensively in use. Which begs the question, what was the problem that the Board felt needed to be addressed? If it was that the Board believed consumers did not understand the terms of the credit protection products, the Board should have tested the consumers based on the complete and actual documentation that consumers receive, which would include not only disclosures but also the policy or contract (as addressed in the 1985 and 2002 Studies). Asking consumers if they understand the terms of a policy or contract without giving them the contract invariably leads to questionable study results.

The Board should, at the very least, withdraw the proposed rules and disclosures and engage in consumer surveys with a statistically significant number of participants.

Different Disclosures are Necessary for the Different Credit Protection Products

Credit protection is comprised of, among other things, credit life insurance, credit disability insurance, debt cancellation contracts, debt suspension agreements, and guaranteed asset protection waivers. The products are regulated under different regulatory frameworks already, with different benefits, different terms, different conditions, exclusions and limitations, and different disclosure requirements for each. Regulators already understand that while each product shares some qualities, each presents unique attributes that require distinct disclosure language.

More importantly, insurance is a transfer of risk and different from other financial products, like debt suspension. Even though open- and closed-end lending are both loan types, the Board understands that they are different products with different disclosures requirements. Yet, the Board now seeks to lump insurance products in with lending products, ignoring the unique and well-regulated structure of insurance.

For example, under the terms of a credit life insurance policy, an insurer pays a set sum upon the death of the insured. However, under the terms of a debt cancellation contract, a creditor cancels a set sum upon the death of the borrower. The terms, conditions, exclusions and limitations are also different.

Thus, we urge the Board to withdraw their "one-size fits all" disclosure approach, which would lead to confusing and inaccurate disclosures, and not treat insurance products separately from non-insurance products.

Section by Section Discussion of the Proposed Rules and Disclosures

Each section on which we are commenting is divided into three parts – a summary of the proposed change, the action with an explanation we are requesting the Board to consider, and an alternative, if applicable.

We agree that the tabular question and answer format makes it easier for consumers to review and understand the disclosures. However, we strongly disagree with much of the content the Board is proposing. There are also factual inaccuracies that we do not believe would pass a rational basis test in court. Specifically, we take issue with the following proposed disclosures.

1. **Section 226.4(d)(1)(i)(B):**

Proposal: The proposal would require the creditor to give a "statement that the consumer should stop to review the disclosure, together with a statement that the consumer does not have to buy the product to get or keep the loan." The Board's recommended language[1] reads: "**STOP**. You do **not** have to buy (name of product) to get this loan. Go to (Web site of the Federal Reserve Board) to learn more about this product."

Requested Action: We respectfully request that the Board withdraw this portion of the proposal as it reads as a warning rather than a disclosure. In addition, state insurance laws and the OCC's debt protection rules already require this disclosure (albeit in a less antagonistic form). The Board's disclosure is therefore superfluous. Once again, we urge the Board to listen to actual purchasers of the products:

> "If our credit union hadn't told us about this insurance or it was harder to get, I'm not sure we would have purchased it. And if we hadn't, we would have had to cut back on other things like heating the house properly, extracurricular school

[1] We note that the language used in the disclosure must be "substantially similar in headings, content, and format." Practically speaking, the language suggested by the Board is used by creditors because it is treated as a safe harbor.

> activities for the kids, and getting nutritious food. We've dealt with food pantries before and it's very humbling. I'm happy we didn't have to go down that road again."
>
> *Holly M. on Credit Disability Insurance, Member of NuMark Credit Union, Joliet, IL (Loan paid when husband was hurt at work and workman's comp paid only 60% of his normal wage)*

This proposed language demonstrates that, especially with the use of the word **STOP** in bold capital letters at the top of the disclosure, the disclosure is presented as a warning rather than using words to call attention to the disclosure. The purpose of TILA is 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 or her and avoid the uninformed use of credit. 15 U.S.C. § 1601(a). Rather than provide a meaningful disclosure, the Board's proposal has the effect of chilling a consumer's interest in purchasing credit protection, which is beyond the Board's charge and scope of 15 U.S.C. § 1601.

<u>Suggested Language</u>: If the Board proceeds with this portion of the proposal, we strongly recommend the Board modify the rule to read: "the consumer should carefully read the additional information for a full explanation of the terms and conditions of the credit protection product and that the consumer does not have to purchase the credit protection product in order to obtain the loan." We recommend the following language: **"THIS PRODUCT IS OPTIONAL.** You do **not** have to buy credit protection to get this loan."

We have attached an example of credit insurance disclosures that we believe better represent fair, accurate and objective disclosures. The disclosures are similar to the disclosures suggested by the Consumer Credit Industry Association (CCIA). *See* Attachment E.

2. Section 226.4(d)(1)(i)(C):

<u>Proposal</u>: The proposal would require the creditor to provide a "statement that the consumer may visit the Web site of the Federal Reserve Board to learn more about the product, and a reference to that Web site."

<u>Requested Action</u>: We respectfully request that the Board delete the recommended rule and disclosure. The Board has not demonstrated that it has the necessary competency to develop a website that provides fair, accurate and objective information to help the consumer make an informed decision about credit protection. Rather, the website should be linked to a regulator or expert with subject matter expertise. The NAIC would be most appropriate, followed by the Federal Insurance Office.

<u>Suggested Language</u>: If the Board proceeds with this portion of the proposal, we strongly recommend the Board seek and listen to the industry and purchasers of credit protection in developing a website.

3. Section 226.4(d)(1)(i)(D)(1):

Proposal: The proposal would require the creditor to provide a statement, in question and answer format, 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." The Board's recommended language reads: "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."

Requested Action: We respectfully request that the Board withdraw this portion of the proposal as this disclosure is factually inaccurate. Credit protection benefits are provided upon occurrence of the protected event whether or not there is other insurance. Assuming a consumer already has insurance (ordinary or employer-employee life, disability, or unemployment), credit protection is an option for obtaining temporary, short term, additional coverage if needed to protect the consumer's estate from creditor claims in the event of loan default due to death, disability, or involuntary unemployment. Further, by discouraging the purchase of credit protection, consumers will deplete other insurance coverage that may have been intended to address other household or family needs. Additionally, other insurance may not be sufficient. For example, even if consumers have access to disability products from their employers, typically benefits are limited to 60% or less of their current salary, thereby significantly reducing consumers' ability to cover their financial obligations. In a world where most people are underinsured, this disclosure is both inaccurate and alarming. Again, consider the real-world situations our consumers survive in:

> "I've had surgery in the past and didn't have payment protection on any of my loans, so when I found out about the credit disability and debt protection insurance from my credit union it seemed like a good idea. I have disability insurance at work but I only get 50% of my pay and I know it won't cover my loan payments. A lot of people think that if they have life and disability insurance at work that it's going to cover their loan payment, but it doesn't. You really don't know that until somebody tells you."
>
> *Diana C. on Credit Disability Insurance, Member of Metro Credit Union, Framingham, MA (Credit disability insurance made payments for her during her surgery, chemo treatments for cancer, and after her hip replacement)*

Suggested Language: If the Board proceeds with this portion of the proposal, we strongly recommend the Board modify the rule to read: "Credit protection supplements any existing insurance you may have by providing protection for this loan. If you have other insurance that covers the risk, you may not want or need credit protection."

4. Section 226.4(d)(1)(i)(D)(2):

Proposal: The proposal would require the creditor to provide a statement, in question and answer format, that "other types of insurance can give the consumer similar benefits and are often less expensive." The Board's recommended language reads: "Other types of insurance can give you similar benefits and are often less expensive."

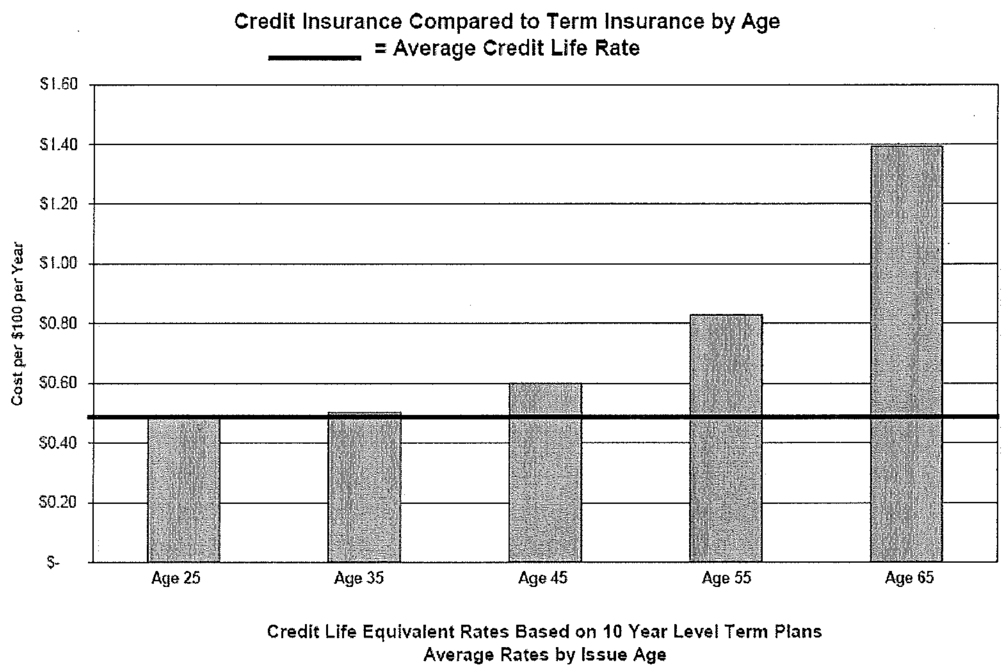
Requested Action: We respectfully request that the Board withdraw this portion of the proposal as the disclosure is misleading and inaccurate. Credit protection benefits are unique in that the amount and term of protection correspond to the loan and the benefits are designed to pay or cancel all or part of the loan balance. In this regard there is no similar type of insurance or protection. No other product in the marketplace serves this purpose.

We interpret "other types of insurance" are taken to mean individual term life or disability insurance products. These individual life and disability products are comprehensively underwritten and are generally available at higher amounts (e.g., $100,000 and above). Premiums may vary upon individual underwriting circumstances. The Board is misguided to assert that these products stand on the same footing as credit protection products. The facts are that credit life and disability are based on a "one rate for all" philosophy and are subject only to minimal eligibility requirements. Premium rates for credit insurance for some consumers in some cases can be higher than individual products but the total out-of-pocket cost is almost always lower. Most importantly, for credit protection, payments are targeted to the amount of the indebtedness and discontinues once the debt is satisfied. Additionally, for a monthly paid product, the monthly cost to the member decreases as the member pays down the loan balance. Again, consider the real-world situations our consumers survive in:

> "Five years ago my husband and I consolidated all of our debt at our credit union and protected the loan with both credit life and disability insurance. I was the primary wage earner so it was important for us to have joint protection. We had met with a financial planner awhile back and learned that we would need $1.7 million in life insurance to replace my income if something happened to me. Since we couldn't afford to purchase that much life insurance, we chose to cover our loans with credit life and disability as a financial planning strategy."
>
> *Mary C. on Credit Disability and Credit Life Insurance, Member of American Heritage Federal Credit Union, Philadelphia, PA (Because of credit life insurance, allowed to stay in her home, protect her credit rating and her other assets when husband passed at the age of 51)*

More specifically, based upon our pricing structure, purchasing credit life coverage at smaller amounts (e.g., $10,000 or $25,000) has a lower rate and a lower aggregate payment in most cases than term life. Health underwriting standards are more stringent for other life and disability coverage resulting in substantially higher cost of coverage. For many consumers, underwriting practices make the insurance unavailable or unaffordable. Theoretically, large insurance policies can result in a lower rate, but in reality, the premiums are often too costly for people of modest means. As noted, these other policies typically are not tailored to pay off consumer's debt and, thus, can deplete household assets when applied to debt repayment. The disclosure is also duplicative. State insurance law (e.g., the NAIC's model credit insurance law) already provides clear notice: "if the consumer has other insurance that covers the risk, he or she may not want or need credit insurance."

Ms. Jennifer J. Johnson
December 22, 2010



From the Consumer Credit Industry Association's 2010 Fact Book.

Suggested Language: If the Board proceeds with this portion of the proposal, we strongly recommend the Board modify the rule to include a disclosure that accurately describes what credit protection is: "Credit protection 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) if you die or become disabled during the term of protection." Of course, additional language, such as "become involuntarily unemployed" would be inserted, where applicable.

5. Section 226.4(d)(1)(i)(D)(3):

Proposal: The proposal would require the creditor to provide a statement, in question and answer format, 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." The Board's recommended language reads: "The product will cost up to **$XX per month**. The cost depends on your loan balance."

Requested Action: We respectfully request the Board modify the recommended disclosure so that it better reflect how the credit protection products are priced.

Suggested Language: The Board should modify the recommended disclosure to read: "Based on your initial loan amount, the cost of this product will be **$XX in the first month**, and is scheduled to decrease each month as your loan balance decreases," where appropriate for the particular credit protection product.

6. Section 226.4(d)(1)(i)(D)(5) & (6):

Proposal: The proposal would require the creditor to provide a statement, in question and answer format, that states "if the consumer meets the age and employment eligibility requirements" and "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." The Board's proposed language is: "**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."

Requested Action: We respectfully request the Board withdraw this portion of the proposal as this disclosure is incomplete at best and alarmist at worst. By bolding and underlining a statement that portrays a useful product as worthless, the Federal Reserve Board is substituting its judgment for the consumer's. The Board's own study shows that consumers had questions on this issue and remain confused as to what this means. Rather than providing the consumer useful information, it places doubt about the value of credit protection in the mind of the consumer.

Moreover, credit protection is designed to only provide benefits if a triggering event occurs – a bold, underlined disclosure that states a consumer may not receive any benefits even if they buy this product works as a value judgment against credit protection. Why not say for credit life insurance, for example, "If you don't die, you would not receive an insurance payment"?

Furthermore, the first part of this disclosure is unnecessary as the NAIC Model Act 360, the Consumer Credit Insurance Model Act, and OCC Rules already require a pre-purchase disclosure that provides for a "brief description of the coverage, including a description of the amount, the term, any exceptions, limitations and exclusions." Consumer Credit Insurance Model Act, Model Act 360, § 6. *See also* OCC's Debt Protection Rules, 12 C.F.R. § 37.6.

Suggested Language: If the Board refuses to withdraw this portion of the proposal, we strongly recommend the Board modify the rule to read: "You meet the initial age eligibility requirement. However, there may be other eligibility requirements, conditions or exclusions under this product. You should carefully read the product contract for details."

Conclusion

CUNA Mutual has always favored fair, accurate and objective disclosures. However, the Board's proposed rules and disclosures are not fair, accurate or objective:

- The Board relied on a biased and statistically insignificant study to develop the proposed rules and disclosures, and much more thought and consideration is needed.

- States and the OCC already regulate disclosures.

- The Board does not have the authority to create these rules and disclosures.

CUNA Mutual therefore objects to the proposed rules and disclosures, and respectfully requests that the Board withdraw them in their entirety. If the Board insists on moving forward with the proposed rules and disclosures, we strongly urge the Board to modify the rules and disclosures as discussed above.

Thank you for this opportunity to comment on this proposal. We welcome the opportunity to visit further with the Board about suggestions included in this letter.

Respectfully submitted,

David K. Tomar,
Senior Attorney

ATTACHMENT A

Member Testimonial

Credit Disability Insurance

"When I took out one of my first loans in 2009 my credit union told me about payment protection insurance. Since I haven't had many loans before, I didn't know you could get this kind of coverage. My Loan Rep explained it to me; it was easy to understand and I found out it was very affordable. So, I decided to take it -- just in case. I really didn't think I would ever need to use it because I'm in my early 30's and thought I was in pretty good health.

It's a good thing I did because a year later, this October, I went to the ER because I was in unbearable pain. I had to have surgery to remove a cyst from my ovary and would be out of work for 4 – 6 weeks. Instantly I panicked because I had a very small amount of money saved up and my work doesn't have short term disability. I would not receive a paycheck for the whole month that I'd be out and I only had enough money to pay bills for the beginning of October. I was desperate to figure out how I was going to make my loan payment at the end of the month.

Then, I got a phone call from the credit union reminding me that I had the insurance on my loan. I was so overjoyed that I almost started to cry. I thought … thank God, one less thing to worry about and thank goodness the credit union offers this type of insurance. Without this insurance I would have had to pay my other bills late in order to make my loan payment. Never in a million years did I think I would ever go through the ordeal that I did.

I tell all my friends and relatives that they should get this type of coverage on their loans. It is a great safety net in case anything unexpected happens. Everybody in America should have this type of coverage available to them. You never know what curves life is going to throw at you."

Rachel C. on Credit Disability Insurance
Member of First Trust Credit Union, Michigan City, Indiana

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Life Insurance

"We consolidated our credit card debt by taking out a second mortgage loan that had credit life insurance on it to cover my husband, because he was the main breadwinner.
I really wanted the insurance because he worked at the mill and knew it would help cover the loan in case something would happen to him.

It was easy to enroll right at the time we got the loan and it wasn't that expensive...that was a big plus. We've had the insurance before and the person who helped us at the credit union always explained the coverage and the costs and gave us all our choices.

Unfortunately and unexpectedly my husband passed away in August. I contacted the credit union right away to let them know, and I was sure that we had put that insurance on, which we had. Because of having that insurance the loan will be paid off. Otherwise, there's no way I could have covered it because I have like very little income.

The insurance he had at work only covered an on-the-job accident so it wouldn't have helped me because his death was totally unexpected and no accident was involved.

If I hadn't had the insurance I would have had to modify my standard of living a lot and would maybe have had to default on the loan. One of the most beautiful things was that the insurance company paid very quickly. Everything was taken care of extremely fast and with great consideration and courtesy of my situation.

I think this credit life and disability insurance is very good because there's no guarantee in life. In our case, where he just passed away unexpectedly, I'm covered...it's not such a burden or such a strain on me."

Trudy B. on Credit Life Insurance
Member of First Trust Credit Union, Wheatfield, IN

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"For me, I first learned about credit life and disability insurance from my father. He had coverage on his home equity loan and when he was put on permanent disability his house was paid off by the insurance. This spoke volumes to me and was such a blessing for our family to have that loan taken care of.

After that life lesson, I have always taken payment protection insurance on my loans. I think it's a no-brainer to get the coverage. I have other insurance but having my loans protected has always been good peace of mind. You just never know when something will happen.

In January of this year, I learned I was pregnant with our fourth child. About 16 weeks into the pregnancy I was put on bed rest. The biggest problem was that my short-term disability insurance through work only paid 50% of my wages. What a relief to know that our car payments would be taken care of while I was on bed rest.

Then, more complications set in and my doctor was forced to deliver our little girl at 21 weeks in order to save my life. I had to have major surgery which kept me out of work for another eight weeks. Having our car payments taken care of made it possible for us to have a nice memorial service for our daughter.

I'm very thankful that I took this coverage and would encourage anyone to do the same. You just never know when you may need it. If we hadn't had the insurance we would have been forced to put the memorial expense on a credit card or take out a short-term loan. Putting stress on top of stress isn't a good situation for anybody.

When the credit union explained the credit life and credit disability policies to us it was not complicated. The policy is very straight forward about what is covered and what is not. The loan officer presented it as an option to us and very clearly showed what the loan payment was with and without the insurance.

The coverage is not expensive and worth every penny we paid for it. Right before I went into surgery I was thinking that if anything happened to me and I was comforted to know that our loan would have been taken care of by the credit life policy.

We took the insurance HOPING we'd never get a payout from it. I know there probably other insurance policies I could have purchased from outside the credit union, but to be honest, I probably wouldn't have taken the time to look. We took it because it was easy to get and affordable at the credit union. My life is busy enough…I don't have time to look for coverage.

This is a product that needs to be offered to everybody, whether they take it or not."

Carrie M. on Credit Disability Insurance
Member of Rock Valley Federal Credit Union, Loves Park, IL

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"Life can change in a heartbeat. As an RN, I've seen this come true many times. I've learned to be self-reliable, a hard worker and a good consumer.

A few years ago, we needed to update our home so we took out a $50,000 home equity loan. Our loan representative, Sierra, explained credit disability insurance to us. We both thought that this was just another way for the credit union to get more money out of us so we said "no thanks." Before I signed on the dotted line, fear and common sense took over, and I kept thinking "what if something happens to me?" We're both getting older and my husband is retired so we rely on my income.

Sierra explained that if I couldn't work the insurance company would make our payments for us. She was very clear that the insurance was an option. Once it seeped into my brain that we were going into debt for the first time in a long time, I told Gary that I thought we should get the insurance. Long story short, we took the credit disability insurance.

Then, the unthinkable happened. My routine, one-day surgery went wrong and for the past two years plus, I've been undergoing some kind of treatment for my life-changing surgery. I was forced into retirement sooner than we planned because I can no longer meet my requirements to be an RN and am on Social Security Disability.

Without the coverage we probably would have had to sell a lot of our possessions that we've worked for, maybe even the house...because we just don't ignore this stuff. I've never been bankrupt and just won't do that.

I am so appreciative that Sierra at SELCO told me about the insurance. Without it we'd be hurting. You just can't put a numerical value on the peace of mind the insurance has given us. The value far exceeds what we paid for it

If you have a chance to talk to the big shots at CUNA, please tell them thank you...the insurance has been a lifesaver. We're very grateful. Things can change in a heartbeat; you can never tell what's going to happen."

Cindy J. on Credit Disability Insurance
Member of SELCO Community Credit Union, Florence, Oregon

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"I've had surgery in the past and didn't have payment protection on any of my loans, so when I found out about the credit disability and debt protection insurance from my credit union it seemed like a good idea. I have disability insurance at work but I only get 50% of my pay and I know it won't cover my loan payments. A lot of people think that if they have life and disability insurance at work that it's going to cover their loan payment, but it doesn't. You really don't know that until somebody tells you.

The credit union explained the insurance by saying that it would kick in after you were out of work for more than 30 days. So your loan payment would be covered after the first 30 days. I definitely knew I didn't have to take the insurance. But, it was convenient for me to be able to get the coverage at the credit union when I got my loan because then I didn't have to go out of my way to look for the insurance somewhere else. I think I'll get it again on any future loans I might have to take out.

I've had to use my disability insurance in the past when I had surgery and then again when I was going through chemo treatment for cancer. Recently, I had to file a claim when I had a hip replacement and was out of work for eight weeks. I mean, it was just one payment and I had the money in my account to pay it if I had to...or I could have taken it from savings, but I don't like to do that. Of course, if it went on longer, it probably would have become more of a problem since I wasn't getting my whole paycheck.

The insurance was a really good value for me. It's not something I even notice on my loan payment. What I pay every month really is minimal.

Unexpected things happen all the time in life, so one less thing to worry about makes it a little less stressful."

Diana C. on Credit Disability Insurance

Ms. Jennifer J. Johnson
December 22, 2010

Member of Metro Credit Union, Framingham, MA

Member Testimonial

Credit Disability and Credit Life Insurance

"It seemed like my husband was always getting hurt at work... So we thought it was a good idea to get payment protection on our loan through the credit union. They explained that credit disability and credit life insurance would help cover our loan in case one of us got hurt or passed away. It was nice that they offered it right at the credit union too; I don't think we would have gone elsewhere to find it.

Later we were plugging away, making ends meet when my husband was diagnosed with stage IV lung cancer. After his first round of chemo we knew he wouldn't be able to work and that's when we filed the credit disability claim. I could count on CUNA Mutual to put our claim payments directly into my savings account like clockwork, so I could purchase medicine or food as I needed.

Then, after fighting for 10 and a-half months, he passed away. Having credit life insurance on our loan was a blessing for me; all I had to do was tell the credit union and they took care of the rest. Without it I would have had to rob Paul to pay Peter."

Diane W. on Credit Disability and Credit Life Insurance
Member of NuMark Credit Union, Joliet, IL

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"In 2007, I purchased a used truck from Von Glahn Motors, here in Platteville, WI. I've never spent so much on a truck in my life; at $20,000 I knew I needed to protect it. I probably could have gotten additional insurance from the same place I get my auto insurance, but I don't know if I would have had the foresight to do that. It was easier to get it from my credit union; they just added the cost to my monthly loan payments and that was it. Considering the peace of mind it gave me, it was a simple thing to do.

Then I had a heart attack and was in the hospital for six days. As a small business owner, all of my medical expenses come right out of my pocket. I just wouldn't have been able to continue making the payment due to my limited ability to work because of my health. If it wasn't for this insurance, I would have had to sell the truck.

I'd definitely purchase credit disability insurance again. For one, it's a good deal. In my situation what I paid for the protection and what the insurance company paid out after I filed my claim . . . It was a value. And though I'm only 51, I need to protect my wife and kids for the future. Everyone should have this protection; you never know what will happen."

Gary H. on Credit Disability Insurance
Member of Dupaco Community Credit Union, Platteville, WI

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"We went to our credit union a few years ago to get a home equity loan to consolidate some bills and make a few home improvements. They explained credit disability insurance and though we never dreamed we'd use it, it sounded like a good idea so we went ahead and got the insurance.

In September my husband was hurt at work. Another employee crashed into his cart with a fork lift and Todd's thumb was crushed. Although workman's comp kicked in, it only paid 60% of his normal wage. I was worried about how we were going to make our house payment, our home equity loan, our regular bills, and be able to eat. Then I remembered that we had credit disability insurance. I was so relieved!

Our first payment from the insurance came in that very month; we were so grateful it was there. It helped pay our loan so that we could use my husband's restricted income to pay our other bills and be able to eat.

If our credit union hadn't told us about this insurance or it was harder to get, I'm not sure we would have purchased it. And if we hadn't, we would have had to cut back on other things like heating the house properly, extracurricular school activities for the kids, and getting nutritious food. We've dealt with food pantries before and it's very humbling. I'm happy we didn't have to go down that road again.

Credit disability insurance has been invaluable to us; we will definitely purchase payment protection again!"

Holly M. on Credit Disability Insurance
Member of NuMark Credit Union, Joliet, IL

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"I had been working at NuMark Credit Union for two years before my husband and I decided to get an auto loan for a new car. I've seen people struggle to make their loan payments first hand, so we knew payment protection was a good idea. We purchased credit disability insurance for the loan and named my husband, Wayne, the primary since he was making triple the amount I did at the time.

In June, Wayne ended up having a quadruple bypass and was off of work through Christmas. The insurance covered our auto loan for six months until he was ready to go back to work. It was the best thing! We would have been owing NuMark or turning in the car if we hadn't had this insurance.

Later my husband suffered two strokes. He's on permanent disability now and the insurance is still helping us cover our loan payment. We're so thankful we purchased the extra insurance!

It's a great value for the little bit of money we paid out. In the long run, it really doesn't make a difference; you're going to need it when the time comes. It's like when you go out and buy a car, you're going to want insurance on it. You might as well have insurance on the payment, too."

Peggy J. on Credit Disability Insurance
Member of NuMark Credit Union, Joliet, IL

Member Testimonial

Credit Disability Insurance

"I've always been a believer in credit disability and credit life insurance. And when joint credit disability became available in New Mexico, my husband and I jumped at the chance to add it to our second mortgage since his employer doesn't offer disability coverage. They normally don't in his line of work, construction and heavy machinery, so we were happy to have it from our credit union instead.

In October of 2009, my husband fell off a ladder at work and tore his rotator cuff and bicep. After four months of trying to fix the injury with physical therapy, they finally did an MRI and found that he needed surgery on his shoulder. It was a total of 11 months out of work, struggling to pay our bills on just his worker's comp salary, when we filed the joint credit disability claim. I didn't think they would pay it, but they did!

Now all of our other loans are covered with payment protection. Having extra coverage doesn't hurt and it's only a small amount that's added to your payment. I mean, we may never need to use it again, but at least I have peace of mind knowing that if something happens it will help pay our loans."

Regina C. on Credit Disability Insurance
Member of Otero Federal Credit Union, Alamogordo, NM

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"The main reason we took credit life and credit disability insurance on our loan is for the peace of mind of knowing that our loan payments would be covered if we ever needed it. It's very inexpensive and gives you a sense of added security. We don't usually buy a lot of insurance, like extended warranties...we don't want to be insurance poor. But, we knew our other insurance policies wouldn't cover our loan payments. We've had it before and never used it, thankfully.

But this time we had to use it. My husband was injured on August 21, 2010 and has been unable to work. He's had two surgeries and going in for the third. He'll probably be off work at least another twelve weeks. Without this insurance we would be unable to make our loan payments. He's only getting part of his regular pay while he's out of work.

We've cut back on everything we can cut back now. And, we still have to go into our savings account. With the surgery and doctor bills, we'd probably have to skip some loan payments if we didn't have the insurance.

I would hate to think that people don't have this option offered to them. Our credit union always offers it as an option. They say the loan payment is this much with the insurance and this much without the insurance...it's your decision. If the credit union didn't offer the insurance, we'd probably go somewhere else for our loan. I really need that security and peace of mind of knowing our loan payments will be taken care of when something unexpected happens. The way my husband looks at it, he's the main breadwinner and he doesn't want to leave me in a financial find if something happens to him."

Lorraine & Gene V. on Credit Disability Insurance
Members of First Trust Credit Union, Kouts, Indiana

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability and Credit Life Insurance

"When my husband and I bought our first house, we were both making about the same salary. We knew that neither one of us could live on one income, and raise our two daughters, if something happened to the other. That's why we asked the credit union about the availability of credit life and disability insurance on our mortgage. We took credit life on both of us and credit disability on just him. We chose not to have a lot of extra life insurance...just enough to cover funeral expenses.

The credit union explained our options very clearly. We decided that it was much more economical to protect our loans with credit insurance than to buy a large life insurance policy. It was very easy to sign up right at the credit union. We decided to also protect our car loan with the insurance.

In 1999, my husband became disabled and was no longer able to work. We were very, very thankful that we had that protection on his income because, with the disability insurance covering a portion of our mortgage and car payments, we were able to get by on my income.

Then, last summer, my husband lost his life to cancer. Without the life insurance, I would have not been able to keep my home, my car or even maintain my standard of living on my income. The one thing that offered my husband the most peace of mind in his last weeks of life was the credit life insurance we had on our home loan. He knew that I would be able to stay in our home, near the support of family and friends, while I was recovering from this major loss.

It was very easy to file a claim on our policy. The credit union took care of everything once I provided the death certificate. Within two weeks, the claim was paid.

I can think of no greater trauma in my life than to lose my husband, my home and my support group. I consider credit life and disability insurance to be an extremely good value. It would have been a good value even if we hadn't used it...just for the peace of mind."

Marilyn H. on Credit Disability and Credit Life Insurance
Member of First Trust Credit Union, DeMotte, Indiana

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Life Insurance

"My mother and father took out a large home equity loan and decided to get the joint credit life insurance. They took the insurance because they are both in their late 50's and wanted the extra protection in case of an emergency so the other would be covered if something would ever happen. The insurance was very affordable and necessary, in my parent's eyes. They do have other insurance but wanted their home equity loan covered separately so the family wouldn't have to worry about paying off this loan. My parents have had loans in the past and have always purchased the joint life insurance on them.

Tragically, my father passed away in August of this year. It was a huge relief to know that they had joint life insurance on the loan and $55,000 of the unpaid balance was paid to that loan. And, it was paid in a matter of 19 days...the fastest claim ever. I'm speaking on behalf of my mother when I say that a huge weight has been lifted off of her shoulders. You have so many things going on at a time like this plus your financial well-being and your income has drastically changed just like that. Going from two incomes to one, this could mean possibly going bankrupt or even losing your house, because this was a home equity loan. Or, you know, just not being able to make ends meet.

My mother says purchasing the insurance was so worth it. After going through this life-changing event, it was just phenomenal to have had the insurance. If she ever takes out another loan, she'll definitely take the payment protection insurance. And, she's always told me, make sure you're covered with everything that you have so you don't leave that burden behind for your family members.

Because sometimes life changes in an instant and your income may be drastically changed, this insurance will indeed protect you and your family and your credit worthiness."

Missy P. (telling her mother, Amy C.'s story) on Credit Life Insurance
Members of Hudson River Community Credit Union, Corinth, New York

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability and Credit Life Insurance

"Five years ago my husband and I consolidated all of our debt at our credit union and protected the loan with both credit life and disability insurance. I was the primary wage earner so it was important for us to have joint protection. We had met with a financial planner awhile back and learned that we would need $1.7 million in life insurance to replace my income if something happened to me. Since we couldn't afford to purchase that much life insurance, we chose to cover our loans with credit life and disability as a financial planning strategy.

My husband passed away in 2009, at the age of 51. Because of our credit life insurance, a large portion of our debt was paid off. This was a huge blessing for our family and has allowed me to stay in my home, protected my credit rating and my other assets. Had I not had this coverage, I would have had to sell my home and move in with my sister or into an apartment with my college-aged children. I've seen this happen to my aunt and my mother-in-law...when they lost their spouses they had to move in with another family member.

Filing my claim was very simple and the process very kind and considerate. My claim was paid in 30 days.

If this coverage hadn't been available at my credit union or if the process to purchase it was convoluted, I probably would have gone without. As it was, the process was very easy ...we just answered three questions and signed on the dotted line. The Loan Officer made it very clear that coverage was optional and the insurance offered by the credit union was very reasonably priced compared to a life insurance policy. We just added the insurance on to our monthly payment and I hardly noticed it.

If the disclosures and enrollment process become too complicated, the people that really need these products probably won't take advantage of it."

Mary C. on Credit Disability and Credit Life Insurance

Member of American Heritage Federal Credit Union, Philadelphia, PA

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"In April of 2009, I became injured and needed to have back surgery. I was off of work until September of that year, and without credit disability insurance I don't know what I would have done. I wouldn't have been able to make my loan payment at the credit union and take care of my personal bills, that's for sure.

It was real easy to sign up and to file a claim later on. I just talked to my credit union to get the paperwork started. It can't get simpler than that. But I'll tell you, if my credit union hadn't offered payment protection at the time I got my loan, I probably wouldn't have gone anywhere else to get it. And that would have been a real shame.

Just knowing I had this payment protection covering my loan at the credit union gave me peace of mind while recuperating from my surgery. I'm happy I didn't have to worry about rushing back to my job before my body was ready either. And without it, the stress alone would have been unbearable."

Fletcher L. on Credit Disability Insurance
Member of Carolina Postal Credit Union, Charlotte, NC

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"My first cancer scare was after finding a lump in my breast back in 2006. Now I have stage IV breast cancer and leukemia. Payment protection is helping me get through a really tough time in my life. I'm really thankful I have it!

Though I was working back then, doctor bills continued to pile up and soon enough I needed a loan to help pay them off. If she hadn't mentioned this type of protection, I probably wouldn't have known it even existed so I'm happy the representative at my credit union explained the different options for payment protection I could add to my loan. I went ahead and elected to add credit disability insurance after hearing how it helped another member.

My credit union helped me file my credit disability claim now that I can't work. It was pretty easy and the credit disability insurance is helping me make my loan payments. Without this protection I fear that I'd have creditors calling which would only add to the stress of my current situation.

I feel really bad about not being able to pay back my loan, but thankfully this type of protection is out there to help me out."

Karen F. on Credit Disability Insurance
Member of NuMark Credit Union, Westmont, IL

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"Credit disability insurance has really helped me out a lot in the past. I have it, along with credit disability insurance, on my auto loan and credit card through my credit union. I don't want my wife or kids to have to worry about paying our loans. It just gives you peace of mind to have it.

When I got hurt at work, it helped make my payments on both the auto loan and credit card. It was really easy to file the claim. I didn't have to do anything other than call the credit union to get the process started. And without this payment protection we would have had to give up a lot of the extra things my kids like to do.

It only costs $4 a month to have it; it'll pay for itself when you use it once. I'd recommend it to anyone."

Richard A. on Credit Disability Insurance
Member of Members Credit Union, Dallas, TX

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"Though I have other insurance through work, I knew that if I got hurt it wouldn't cover all of my bills so it was important to protect my truck payments with credit disability insurance from my credit union. I knew it was optional, but it didn't cost that much and I didn't want my wife to be burdened by the payments if I got hurt and couldn't work. But that's exactly what happened. In 2009 I was hurt pretty bad and had to have surgery on my back.

Filing the claim was easy; I just called my credit union and they got the ball rolling for us. Plus they were there to answer any questions we had during the process.

Without credit disability insurance I'd have had to go back to work before I was ready and able to do so. I would never have turned the truck back into the credit union though; we would have cut back on our lifestyle instead – I wouldn't want to ruin my credit rating.

I always tell my friends and family to make sure they get payment protection. And I'd get this insurance again, no doubt! You never know when you might get hurt and this insurance will help make your payments. You won't miss that small amount each month, not like you would if something happened and you didn't have payment protection.

I just wish I would have gotten payment protection on my house, that's for sure!"

Tommy B. on Credit Disability Insurance
Member of Member's Credit Union, Lenoir, NC

Ms. Jennifer J. Johnson
December 22, 2010

Member Testimonial

Credit Disability Insurance

"My husband, Donnie, and I have worked all of our lives and pride ourselves on paying our bills and living within our means. We always have had disability insurance on all of our loans "just in case"...not knowing that one day we would be in a position that we would need to use it. After thirty years on the job, my husband's health is to the point that he has not been able to work for several months. The road to recovery is going to be a long one.

If it was not for the fact that we had disability insurance on our loans, I can't imagine how we would be able to keep up with the loan payments. Thankfully we had the foresight to spend a little extra for the insurance. I am here to tell you that having the insurance is money well spent."

Peggy T. on Credit Disability Insurance
Member of First Trust Credit Union, Michigan City, Indiana

"For over 25 years we have paid in for disability insurance when we buy certain things like cars and homes. We automatically ask for disability insurance when we take out a big loan. Now I'm benefiting from the insurance, for about the last six months, since I haven't been able to work as a teacher. I'm glad we went that route, even though as young people who think that nothing can happen to them, we were smart enough to invest in it. Now it's helping me along. I'm paying the bills and being comfortable.

At first I didn't want to get the insurance. It was more money...maybe $40 or $50 extra a year. But it was easy to understand the benefit. Like my grandmother always said, it's easier to plan ahead than to come from behind. We looked at it as something we might have to use down the line for protecting our family. It was worth it. Having the payment protection insurance makes my being off work easier on me and my family.

The credit union didn't try to steer us to the insurance. It was still our decision and we had plenty of time to change our minds if we wanted to. My wife, Peggy, really wanted it so we were happy when we left the office that we did the best thing for ourselves and our family.

I'm a great believer of it [the insurance], and, you know, teachers talk. They tell you about credit cards and things like that. Now they're asking me [about credit disability insurance], and I'm telling them if it wasn't for having this insurance I'd probably have to take out another loan to pay my bills and cut down on a lot of things.

Having credit disability insurance is a relief."

Donnie T. on Credit Disability Insurance
Member of First Trust Credit Union, Michigan City, Indiana

ATTACHMENT B

Have life insurance? Is it enough or maybe too much?

USA Today (12/09/10)

By Christine Dugas and Sandra Block, USA TODAY

Most parents know that they need life insurance. But many would rather have a root canal than shop for the best life insurance policy.

"People don't think about, 'What will my family do if I am gone and not earning a living?' " says Peter Katt, a fee-only life insurance adviser. "The whole point of this kind of planning is to provide the family with maximum flexibility so they're not stuck."

Planning for your death is not a cheerful topic. Too often, parents make a quick decision, ignoring important considerations. Among their mistakes:

Not enough life insurance.

Families don't always insure a parent who is staying home to care for the children. "They don't think that the person who is not bringing in an income needs life insurance," says Greg Daugherty, executive editor of Consumers Union. But if that person dies, the other parent can't stop working and usually has to pay someone to help care for the family.

FEWER BUY LIFE INSURANCE: Millions of families are missing a safety net

CUTTING THE COST: Tips for making insurance more affordable

You may not need to buy the same amount of insurance for both parents. Katt recommended that one young couple should buy $3 million for the husband who earns $100,000 a year and $1 million for the stay-at-home wife.

Relying on employer-provided life insurance.

Employer-provided coverage is rarely sufficient to support your family, says Byron Udell, CEO of AccuQuote, a website that offers free insurance quotes. Many employer-provided policies provide a death benefit of $10,000 to $25,000 — barely enough to cover your funeral expenses, Udell says. Some employers provide a year's salary, but that may also fall well short of the amount your family would need to maintain its standard of living.

Some employers let workers buy group life insurance through payroll deductions. That may be a good deal for workers who have health problems that would disqualify them for an individual policy. But if you're young and healthy, you may be able to get a better rate on your own, Udell says.

Another drawback: If you leave your job, you may not be able to take your insurance. "Given the job market, most of us are not absolutely certain that our jobs are secure," Daugherty says. "Even if you have a lot of insurance at work, it makes sense to have some more insurance on your own."

Too much insurance.

Not everyone needs life insurance. Some people buy life insurance for babies, which is unnecessary, unless the baby is a child model who is supporting the family, Daugherty says. The purpose of insurance is to replace the income that a family has been relying on. Single people and those who have no children to care for usually don't need life insurance.

DO YOU NEED IT? How much life insurance do you really need?

CALCULATOR: Run the numbers on life insurance

Katt says a man with substantial savings in stocks and bonds and other sources of income recently asked him how much life insurance he needs. "I said none," Katt says. "There are people who don't need life insurance but have it and many more people who need it but are woefully uninsured."

Investing in a weak insurance company.

Most people tend to look at the cost first, says Martin Weiss, president of Weiss Ratings, an independent provider of ratings for financial institutions. But it's also important to check the safety of an insurance firm, even if it's one of the largest, Weiss says. It's best to rely on an independent rater.

A company's financial size doesn't always protect your investment. Major financial institutions can get into trouble, and the government may no longer be willing to bail them out, as it did with AIG.

A weak insurance company can result in a slow claims process. "A financially challenged company is more than likely to delay or obstruct or even renege on its promises," Weiss says.

If the insurer actually fails, it primarily hurts consumers who have permanent life insurance, also known as whole life, which doesn't expire as long as you pay the premiums. Permanent insurance also lets you have a cash value account, which grows tax-deferred over time.

When an insurance company collapses, cash value money is often frozen for an extended period of time. It's not as risky for families with term life insurance because state guaranty funds typically provide coverage for at least $300,000 in death benefits. They also provide about $100,000 in a whole life policy's cash value.

"If you have a whole life policy with a lot more than that, you could be in trouble," Daugherty says. To avoid any problem, you could spread the insurance between a couple of companies.

Not being truthful on your application

Fibbing about your pack-a-day habit to get a lower premium probably won't work, says Amy Danise, managing editor of Insure.com. Smoking is "one of the easiest things to catch in the medical exam," she says. If you manage to get away with it and later die of a heart attack, your insurer could use your smoking history to deny your family's claim, she says. It's hard to lie about many health problems, because insurers generally contact the primary physician and require blood and urine tests.

Don't fudge about your hobbies, either. If you die and your insurance company discovers that you were a long-term member of the sky-diving club, it may deny your family's claim on the basis of fraud, Danise says. Or it may reduce the amount of the death benefit, she says.

ATTACHMENT C

Households with life insurance hits lowest level in 50 years

By Sandra Block, USA TODAY

The percentage of U.S. households with life insurance coverage is at its lowest in 50 years, leaving millions of families without a safety net, industry experts say.

Only 44% of households have an individual life insurance policy, and 30% have no individual or employer-provided life insurance, according to a recent survey by LIMRA, an industry-sponsored group. Some 11 million households with children younger than 18 — viewed as families with the greatest need for coverage — have no life insurance.

The drop in insurance coverage comes at a time when premiums for term life insurance are significantly lower than they were a decade ago. For example, a 35-year-old healthy man can purchase a $500,000, 20-year term policy for about $25 a month, according to ING, a financial institution that sells life insurance. Behind the decline:

LIFE INSURANCE: Tips for making it more affordable

DO YOU NEED IT? How much life insurance do you really need?

CALCULATOR: Run the numbers on life insurance

•**The economic downturn.** More than 40% of families said they haven't purchased life insurance because they have other financial priorities.

At the same time, 40% of families with children under age 18 said they would have immediate trouble paying expenses if the primary breadwinner died.

•**Procrastination.** Unlike auto and mortgage insurance — which are typically mandatory for home and car owners — life insurance is a voluntary purchase, says Butch Britton, chief executive of ING's US life insurance division. That causes people to put off buying it, he says.

Procrastination can backfire, because young, healthy people can usually get the least expensive premiums, says Amy Danise, managing editor for Insure.com. "A lot of people really overlook the whole need (for insurance) until they have a health condition, and then life insurance prices are out of reach for them," she says.

•**Fewer insurance agents.** Nearly 80% of families don't have a personal life insurance agent or broker, according to LIMRA. The decline in premiums for term life insurance has made it more difficult for agents who sell the policies to make enough money to cover their expense, Britton says.

In 2010, there were 184,873 "affiliated agents"— insurance agents who primarily or exclusively sell one insurance company's products — down from more than 246,000 two decades ago, according to LIMRA. And life insurance agents who have stayed in the business are increasingly selling permanent life insurance to affluent families. Permanent life insurance has a savings component and doesn't expire, but it is more expensive than term insurance.

Insurance companies are adopting several strategies to reach out to middle-income families who don't have a life insurance agent.

MetLife is aggressively marketing its group life insurance policies to employers, says Todd Katz, executive vice president of insurance products. Employees can typically buy the policies through payroll deduction, sometimes at a lower cost than an individual policy. MetLife is also investing heavily in programs that allow customers to buy insurance policies online or by phone, Katz says.

In addition, websites such as AccuQuote.com allow consumers to shop for insurance online.

But despite the growth of such sites, most insurance is still purchased "face to face from a live person at the kitchen table," says Byron Udell, chief executive of AccuQuote.

And with fewer agents knocking on doors, he says, "there's less of it getting bought."

ATTACHMENT D

State Required Credit Insurance Disclosures

Credit insurance is a form of term insurance sold in connection with consumer lending transactions. All states actively regulate the sale of credit insurance. State laws and regulations already require, among other things, that creditors make certain disclosures to borrowers considering purchase of the insurance. In general, most states model their pre-purchase credit insurance disclosures after the NAIC Model Law 360 § 6 ("Section 6"). Under Section 6, the following must be disclosed to the debtor in writing before the debtor elects to purchase credit insurance in connection with a credit transaction:

(1) That the purchase of consumer credit insurance is optional and not a condition of obtaining credit approval;
(2) That 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 coverage 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 premiums 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 in a package; and
(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.

The disclosures must be provided at the same time as the offer of credit. For offers by mail or electronically, disclosure must be made in writing and presented to the consumer in a "clear and conspicuous manner." For purchases of credit insurance subsequent to the extension of credit, the disclosures may be provided orally so long as written disclosures are provided to the debtor within 10 days of the offer or when other written material is provided to the debtor, whichever is earlier.

Those states that have not adopted Section 6 have promulgated comparable laws or regulations applicable to credit insurance disclosure requirements. For the purposes of regulating credit insurance, several states have additional or continuing disclosure requirements that an insurer must meet.

This document includes a few items that highlight the depth and breadth of state oversight:

1. A table that shows which states that have adopted Section 6 (either in whole or in part) and those that have comparable laws or regulations applicable to credit insurance disclosure requirements.

2. A Copy of Section 6 (NAIC Model Law 360 § 6).

3. Copies of specific state credit insurance laws for Alaska, California, and Rhode Island and Washington.

1. State Disclosure Citations Chart

State	NAIC Model States	Comparable Provisions to NAIC
AL		Ala. Admin. Code § 482-1-117-.08
AK	Alaska Stat. § 21.57.055	
AZ	Ariz. Rev. Stat. Ann. § 20-1608	
AR	Ark. Code. Ann. § 23-87-110	
CA	Cal. Ins. Code § 1758.97	
CO	Colo. Rev. Stat. § 10-10-108	
CT	Conn. Gen. Stat. § 38a-650	
DE	Del. Code Ann. § 3706	
DC	D.C. Code § 31-5106	
FL		Fla. Stat. Ann. § 627.679(c)
GA	Ga. Code Ann. § 33-31-7; Ga. Admin. Code § 120-2-27-.09	
HI	Haw. Rev. Stat. § 16-6-2; Haw. Admin. Code § 431:10B-107	
ID	Id. Code Ann. § 18.01.61 s 023	
IL	215 ILCS 5/155.56	
IN	Ind. Code § 27-8-4-6	
IA		Iowa Admin. Code § 191-28.14
KS		Kan. Stat. Ann § 16a-4-105; Ks. Att'y Gen. Op. 87-3
KY	Ky. Rev. Stat. Ann. § 304.19-070	
LA		La. Rev. Stat. Ann § 6:969.25
ME	Me. Rev. Stat. Ann. § 24-A s 2857	
MD	Md. Code Ann. Ins. § 13-108	
MA		Mass. Gen. Laws § 143.02; 209 CMR § 52.02
MI	Mich. Comp. Laws §§ 550.601 *et seq.*	
MN	Minn. Stat. § 62B.04(b)	

MS	Miss. Code Ann. § 83-53-13	
MO	Mo. Rev. Stat. § 385.040	
MT	Mont. Code Ann. § 33-21-204	
NE	Neb. Rev. Stat. § 44-1707	
NV	Nev. Rev. Stat. 690A § 7	
NH	N.H. Rev. Stat. Ann. § 408-A:6	
NJ	N.J. Rev. Stat. § 17B:29-6	
NM	N.M. Stat. Ann. § 59A-25-7	
NY	N.Y. Comp. Codes. R. & Regs., tit. 11, § 185.5.	
NC		N.C. Gen. Stat. § 58-57-65
ND	N.D. Cent. Code § 26.1-37-07	
OH	Ohio Rev. Code Ann. § 3901-1-15(b)(4)(c)	
OK		Okla. Stat. §§ 365:10-5-64; & 365:10-5-62
OR	Or. Rev. Stat. § 743.377	Or. Admin. Reg. § 836-060-0060
PA	Pa. Stat. Ann. tit. 40, § 63-106	
RI	R.I. Gen. Laws § 27-30-6	
SC		S.C. Code Ann. § 37-4-105
SD		S.D. Codified Laws § 58-19-19
TN		Tenn. Code Ann. § 56-7-906
TX		Tex. Ins. Code § 1153.052
UT	Utah Code Ann. 31A-22-806	Utah Admin. Code § 590-91-12(A)
VT	Vt. Stat. Ann. tit. 8 § 4107	Vt. Admin. Code § 84-1 s 13A
VA	Va. Code Ann. §§ 38.2-3724 & 38.2-3735	
WA	Wash. Rev. Code § 48.34.090	
WV	W.V. Code § 114-6-5	
WI		Wis. Stat. Ann. § 424.203
WY	Wyo. Stat. Ann § 26-21-107	

2. NAIC Model Law 360 § 6.

<u>*Model 360 § 6: Disclosure to Debtors and Provisions of Policies and Certificates of Insurance*</u>

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.

3. Alaska, California, Rhode Island and Washington.

Alaska:

Alaska Stat. § 21.57.055: Disclosure requirements.

(a) Before a debtor elects to purchase consumer credit insurance in connection with a credit transaction, the insurer shall disclose the following in writing to the debtor:

(1) 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 the insurance separately or the multiple coverage only as a package;

(3) the conditions of eligibility;

(4) if the debtor has other insurance that covers the risk, the debtor may not want or need credit insurance;

(5) if the creditor requires insurance as additional security for a debt, the debtor has the option of furnishing the required amount of insurance through existing policies owned or procured by the debtor or of procuring and furnishing the

required insurance through an insurer authorized to transact insurance business in this state;

(6) the effective date of the coverage;

(7) the debtor may cancel the coverage within the first 30 days after receiving the individual policy or group certificate and have a 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 unearned premium;

(8) a brief description of the coverage, including

(A) the amount;

(B) the term;

(C) any exceptions, limitations, or exclusions;

(D) the insured event;

(E) any waiting or elimination period;

(F) any deductible;

(G) any applicable waiver of premium provision;

(H) to whom the benefits would be paid; and

(I) the premium rate for a coverage or for multiple coverage in a package;

(9) if the premium or insurance charge is financed, it is subject to finance charges at the rate applicable to the credit transaction or at another specified rate; and

(10) whether or not the benefits provided are sufficient to pay off the debt existing on the date of death, disability, or unemployment.

(b) The disclosure required in (a) of this section 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, the disclosure shall be presented to the consumer in a clear and conspicuous manner; or

(2) in conjunction with the offer of credit insurance by telephone and contemporaneously with the extension of credit or subsequent to the extension of credit by other than direct mail advertisements, the initial disclosure may be provided orally as long as written disclosure is provided to the debtor not later than 10 days after the offer or the date any other written material is provided to the debtor, whichever occurs first.

(c) If the debtor elects to purchase coverage, the delivery of the disclosure required in (b) of this section shall be acknowledged by the debtor at the time of delivery, and the insurer shall maintain the debtor's written acknowledgement for at least five years.

California:

Cal. Ins. Code § 1758.97: Required disclosures.

A credit insurance agent shall not sell or offer to sell insurance pursuant to this article unless all of the following conditions are satisfied:

(a) The credit insurance agent provides brochures or other written materials to the prospective purchaser that do all of the following:

(1) Summarize the material terms and conditions of coverage offered, including the identity of the insurer.

(2) Describe the process for filing a claim, including a toll-free telephone number to report a claim.

(3) Disclose any additional information on the price, benefits, exclusions, conditions, or other limitations of those policies that the commissioner may by rule prescribe.

(b) The credit insurance agent makes all of the following disclosures, either with or as part of each individual policy or group certificate, or with a notice of proposed insurance, or, if the insurance is sold at the same time and place as the related credit transaction, in a statement acknowledged by the purchaser in writing on a separate form, electronically, digitally, or by audio recording:

(1) That the purchase of the kinds of insurance prescribed in this article is not required in order to secure the loan or an extension of credit.

(2) That the insurance coverage offered by the credit insurance agent may provide a duplication of coverage already provided by a purchaser's other personal insurance policies or by another source of coverage.

(3) That the endorsee is not qualified or authorized to evaluate the adequacy of the purchaser's existing coverages, unless the individual is licensed pursuant to Article 3 (commencing with Section 1631).

(4) That the customer may cancel the insurance at any time. If the customer cancels within 30 days from the delivery of the insurance policy, certificate, or notice of proposed insurance, the premium will be refunded in full. If the customer cancels at any time thereafter, any unearned premium will be refunded in accordance with applicable law.

(c) Evidence of coverage is provided to every person who elects to purchase that coverage.

(d) Costs for the insurance are separately itemized in any loan, credit, or retail agreement.

(e) The insurance is provided under an individual policy issued to the purchaser or under a group or master policy issued to the organization licensed as a credit insurance agent by an insurer authorized to transact the applicable kinds or types of insurance in this state. Any of the conditions and disclosures specified in this section shall be deemed satisfied if the consumer is otherwise provided with the information required in this section by any other disclosures required by existing federal or state law or regulations.

No statement, disclosure, or notice made for the purpose of compliance with this section shall be construed to cause the policy form, certificate of insurance, or notice of proposed insurance, by themselves, to be considered nonstandard forms, as described in Article 6.9 (commencing with Section 2249) of Subchapter 2 of Chapter 5 of Title 10 of the California Code of Regulations.

Rhode Island:

R.I. Gen. Laws § 27-30-6: 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 another 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 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 exception, 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 subsection (a) above shall be provided in the following manner:

(1) In connection with the 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:

(i) Ten (10) days after the offer; or

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

(c) All consumer credit insurance sold 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, limitations 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 (10) 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 27-30-5.

(f) The application, notice of proposed insurance or certificate may be used to fulfill all of the requirements of subsections (a) and (d) if it contains all 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 thirty (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. In 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.

Washington:

Wash. Rev. Code § 284-34-250: What information must be disclosed to debtors?

(1) If a debtor buys consumer credit insurance in connection with a credit transaction, the creditor must disclose this information to the debtor in writing:

(a) The debtor does not have to buy consumer credit insurance.

(b) The debtor may not need consumer credit insurance if the debtor has other insurance that covers the risk.

(c) The debtor does not have to buy consumer credit insurance to obtain credit approval.

(d) If the creditor offers more than one type of consumer credit insurance to debtors, whether the debtor can buy each type of insurance separately.

(e) The insurer may decide to deny coverage. This statement must list all factors that may cause the insurer to deny or limit coverage, including:

(i) Underwriting standards;

(ii) Exceptions to coverage;

(iii) Limitations and exclusions to coverage;

(iv) Eligibility criteria; and

(v) The date coverage will be effective.

(f) The debtor can cancel coverage within the first thirty days after receiving an individual policy or group certificate. The insurer or creditor must promptly refund or credit to the debtor's account all amounts charged for insurance or obtaining it.

(g) The debtor may cancel coverage at any time during the term of the loan if the:

(i) Debtor buys other insurance that covers the risk; or

(ii) Credit agreement does not require the debtor to buy consumer credit insurance.

(h) If the debtor cancels coverage, the insurer or creditor must promptly pay or credit to the debtor's account a refund of all unearned premium.

(i) That the debtor must provide evidence of alternative insurance acceptable to the creditor at the time of cancellation only if insurance is a requirement for the extension of credit.

(j) A brief description of the coverage, including a description of:

(i) The amount of insurance;

(ii) The term of insurance;

(iii) Insured events;

(iv) Any waiting or elimination period;

(v) Any applicable waiver of premium provision;

(vi) To whom the benefits would be paid; and

(vii) The rate for each type of coverage.

(k) If the premium or insurance charge(s) are financed, they are subject to finance charges at the rate applicable to the credit transaction.

(2) An individual policy or group certificate must, in addition to other requirements of RCW 48.34.090, state the following:

(a) Closed-end credit: The premium or amount of payment by the debtor separately for each kind of coverage.

(b) Open-end credit: The premium rate and the basis of premium calculation (e.g., average daily balance, prior monthly balance).

(c) If the scheduled term of insurance is less than the scheduled term of the credit transaction, the face of each individual policy or group certificate must display a prominent notice explaining that the insurance coverage will end before the loan ends.

(d) Each individual policy or group certificate must display a prominent notice of any exceptions, restrictions, limitations or exclusions.

ATTACHMENT E

OPTIONAL CREDIT INSURANCE

PLEASE READ THESE IMPORTANT DISCLOSURES

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

What is it?	Credit 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 benefits amount) if you [die, become disabled, or become involuntarily unemployed] during the term of the insurance.
Do I need this product?	Credit insurance supplements any existing insurance you may have by providing protection for this loan. If you have other insurance that covers the risk, you may not want or need credit protection.
How much does it cost?	Based on your initial loan amount, the cost of this product will be $___ 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, disability, or involuntary unemployment], up to $_______. 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 may be other eligibility requirements, conditions or exclusions under this product. You should carefully read the insurance contract for details.
How long does the coverage last?	This product provides coverage for the first ___ years of your loan or until you reach age ___, whichever comes first.

☐ **Yes**, I want to buy optional credit insurance.

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

X______________________________ Signature

______________________________ Date