

In 2012 prior to the CIMRO conference, a survey was deployed to understand industry trends for Debt Protection and Credit Insurance. A total of 33 surveys were collected online. Below is a summary of those findings.

Executive Change Summary

Product Offering – As it relates to credit insurance / debt protection and their associated protection provided, the following trends were noticed:

- Across all product times there is a noted decrease in offering of credit insurance compared to 2011
- Roughly half of respondents (or more) do not offer any form of payment protection for First Residential Mortgages, Small Business Loans, Credit Cards, and Indirect Lending
- Disability and Life (Full Cancellation) were the most common protections for all lending vehicles – in comparison to 2011 the greatest benefit lift was seen in Family Leave

Acceptance Rates – Most commonly based off eligible loans as opposed to total number of loans:

- YTD 2012 projections versus 2011 are slightly more optimistic as less respondents projected rates of 0-10% or 10-15% as opposed to higher acceptance rates ranging from 16% to more than 30%
- Both the phone and online channels experienced growth in participation compared to 2011; online having the most significant gain moving from about 35% participation to 55%.
- In comparing open to close ended lending vehicles, closed ended have higher acceptance rates similar to 2011 results

Claims – 92.9% reported claims on their portfolio in 2011

- Life and disability represent the majority of claims paid
- 21% of respondents survey their claims customers about their experience

Economic Environment – across all questions, respondents see changes coming due to the economic environment

- In comparing recent impacts to the customer experience to future impacts – more impacts are coming with agreement growing from 14% to 64%
- In comparing recent program changes to future program changes – more changes are coming with agreement growing from 25% to 38%
- In comparing recent marketing effort changes to future changes – more changes are coming with agreement growing from 59% to 62%

Incentives – 62.5% of respondents have payment protection sales as part of their retail goals:

- 100% of individual platform bankers/lenders are incentivized on payment protection, as you move up the hierarchy of the organization, less are incentivized (10% at highest hierarchy level asked) – in comparison to 2011 the top levels of the organization experienced growth in percent of individuals incentivized

- Most levels of the organization are paid quarterly – with a change from 2011 for the platform banker/lender who was paid on a monthly basis

Reporting – 87% of respondents had reporting for their group, the additional detailed reporting questions were only asked to those who had reporting, below are key findings from this subgroup of respondents:

- A majority of respondents are generating reporting in house (65%, an increase from 2011) and reporting all the way down to the individual associate level (65%)
- As reporting flows from top of house down to individual banker (each level being more detailed), there are less that report at the market and district/region level; however this is most likely due to varying organizational structures and definitions of the different levels

Organizational Structure – 37.9% of respondents report up to consumer lending, 20.7% to retail banking, and 20.7% to Insurance the following describe their roles within their given departments:

- The top 3 functions performed by support personnel were:
 1. Perform administrative functions (83.3%)
 2. Recognize top performers (77.8%)
 3. Produce and circulate sales comm. (77.8%)
 4. Interact with bank customers with questions or claims (72.2%)
- While all factors explored, as it related to contributing factors to program success, were deemed important the top 3 were (% very important):
 1. Effective sales tracking (68%)
 2. Lender accountability (63%)
 3. Senior management support (63%)

Product Offering

Debt Protection vs Credit Insurance

Direct/Secured Installment Loans	Unsecured Personal Loans/Lines	HELOANS	HELOCS	First Res. Mortgages	Credit Card	Small Business	Indirect
							=
DP – 40% CI – 33% Both – 20% Neither – 7%	DP – 44% CI – 26% Both – 22% Neither – 7%	DP – 50% CI – 15% Both – 15% Neither – 19%	DP – 35% CI – 12% Both – 19% Neither – 35%	DP – 21% CI – 13% Both – 8% Neither – 58%	DP – 25% CI – 17% Both – 13% Neither – 46%	DP – 36% CI – 4% Both – 4% Neither – 56%	DP – 9% CI – 9% Both – 9% Neither – 74%

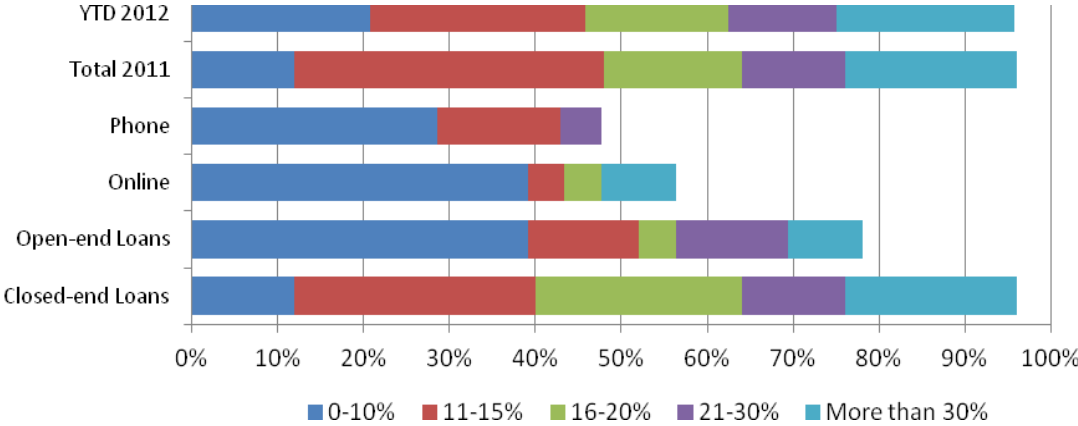
Key: ■ Debt Protection ■ Credit Insurance ■ Both ■ Neither

Product Heat Map

	Disability	Life (Full Cancellation)	Life (Critical Period)	Accidental Death	Hospital	Terminal Illness	Involuntary Unemploy.	Life Events	Family Leave	Natural Disaster	Emergency Pay/Skip a Pay
Direct/Secured Installment Loans	92.6%	88.9%	29.6%	44.4%	33.3%	14.8%	51.9%	3.7%	18.5%	3.7%	3.7%
Unsecured Personal Loans/Lines	92.0%	88.0%	28.0%	48.0%	36.0%	16.0%	52.0%	8.0%	16.0%	4.0%	4.0%
Fixed Term Home Equity Loans	91.3%	82.6%	30.4%	43.5%	34.8%	17.4%	56.5%	4.3%	13.0%	8.7%	4.3%
Home Equity Lines of Credit	76.2%	71.4%	23.8%	33.3%	33.3%	19.0%	52.4%	4.8%	14.3%	9.5%	4.8%
First Residential Mortgage	55.6%	44.4%	16.7%	22.2%	27.8%	5.6%	27.8%	0.0%	16.7%	5.6%	5.6%
Secondary Mortgage	35.3%	29.4%	17.6%	11.8%	17.6%	5.9%	17.6%	0.0%	11.8%	0.0%	5.9%
Credit Card	63.2%	57.9%	21.1%	31.6%	42.1%	15.8%	42.1%	15.8%	31.6%	21.1%	10.5%
Small Business Loans	50.0%	50.0%	10.0%	20.0%	25.0%	5.0%	20.0%	5.0%	5.0%	5.0%	5.0%
Indirect Loans	25.0%	18.8%	0.0%	0.0%	12.5%	6.3%	18.8%	0.0%	0.0%	0.0%	0.0%

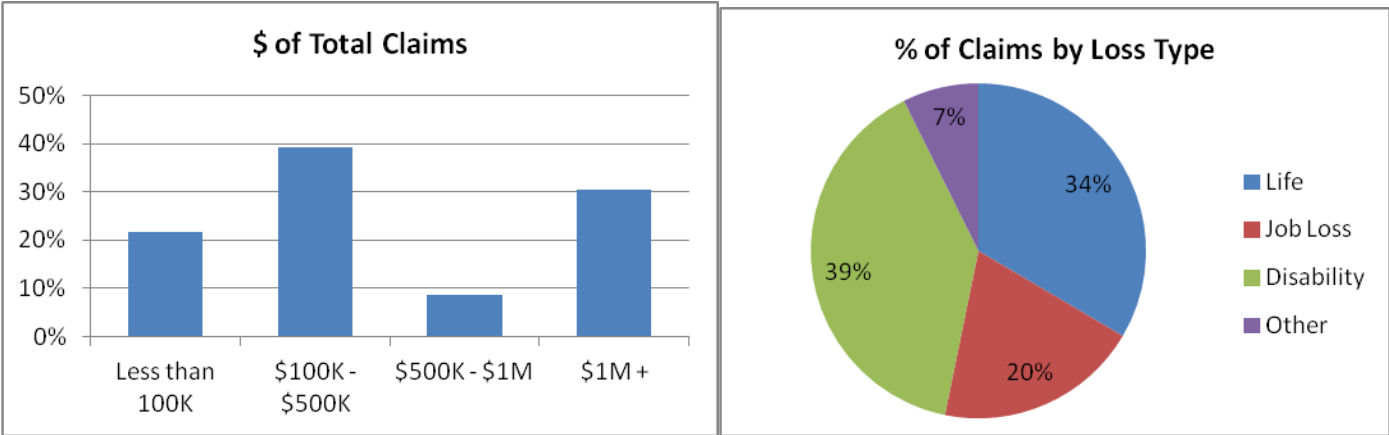
Acceptance Rates

77.3% of respondents based acceptance rates on *eligible loans...* As opposed to 22.7% who based on *total number of loans*



Claims

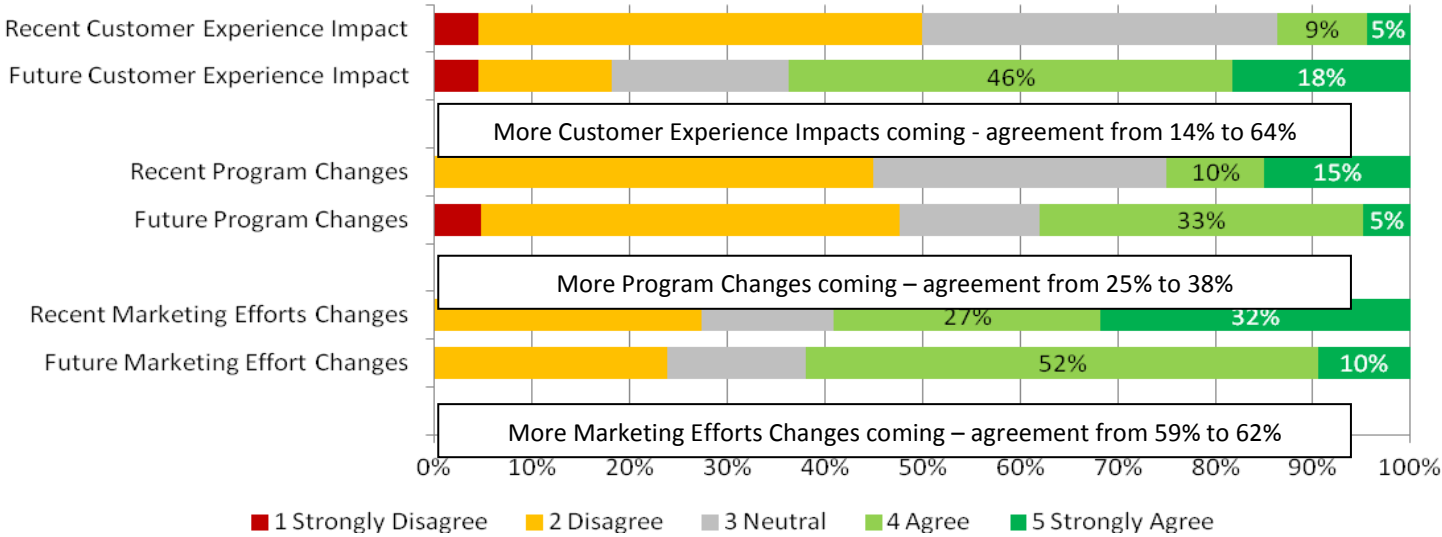
92.9% of respondents had *claims in 2011* on their loan protection program.



20.8% of respondents *survey* their customers about their claims experiences making the results viewable to management in all cases and trainers and sales staff in half the cases.

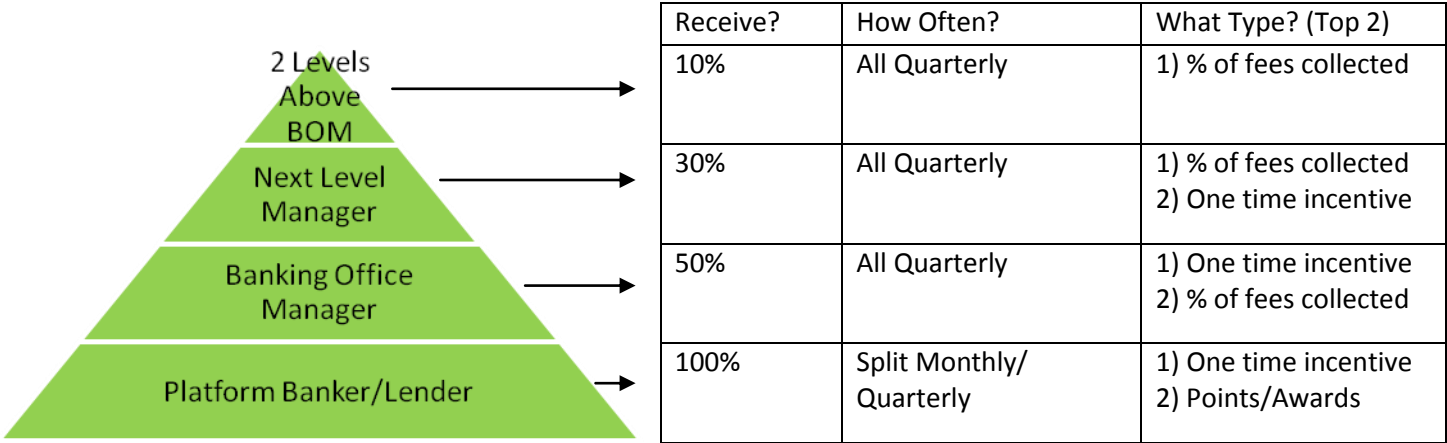
Economic Environment

How is the current economic environment impacting your business?



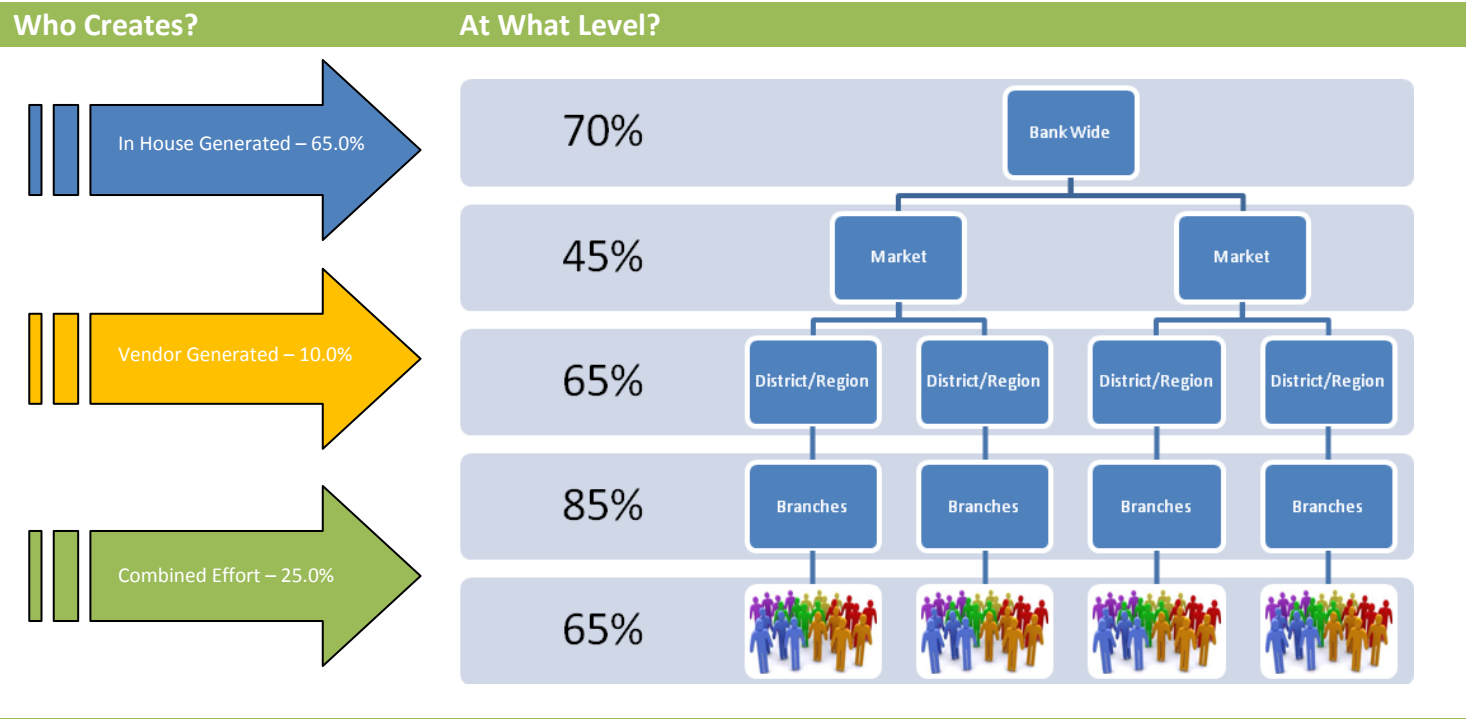
Incentives

62.5% of respondents had payment protection sales included in their *retail goals*.



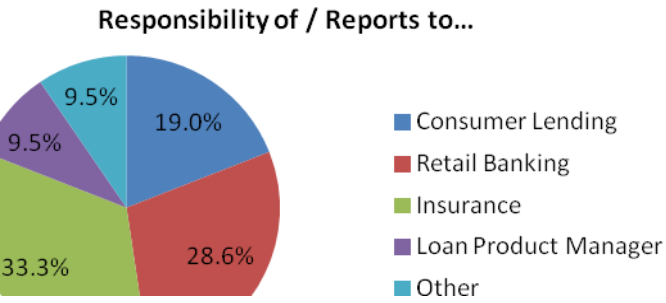
Reporting

87.0% of respondents had **sales reporting** for their institution, with a majority generating **in house (65.0%)** and reporting all the way down to the **individual associate level (35.0%)**

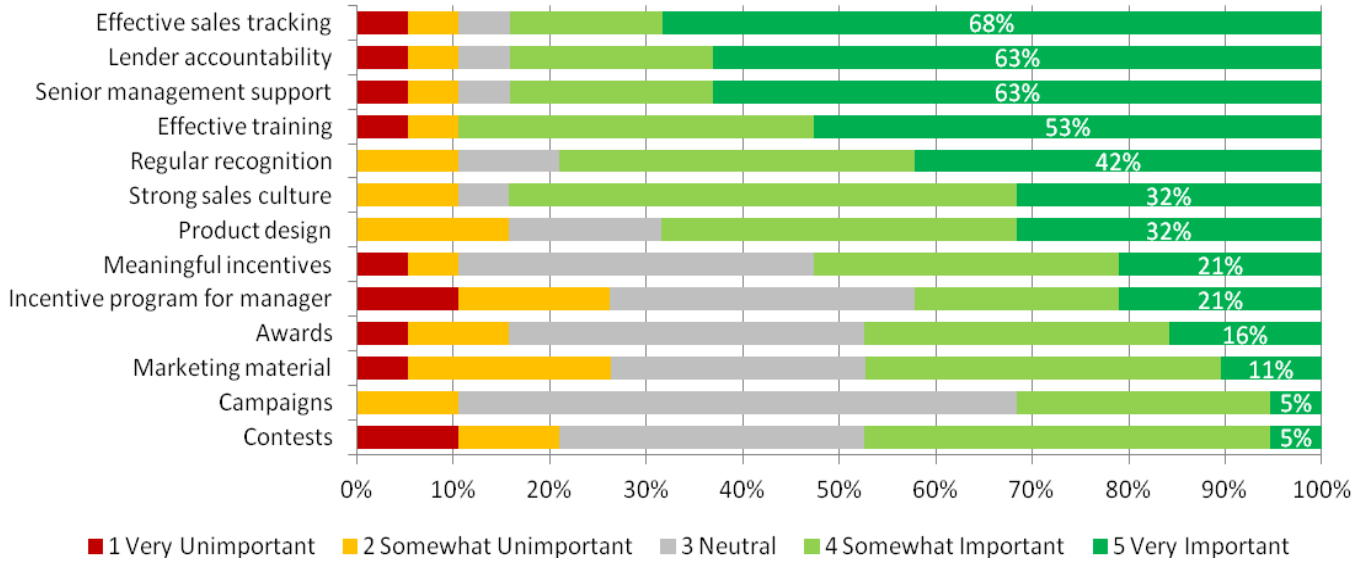


Organizational Structure

- The top 5 functions performed by support personnel were:
- Perform administrative functions (83.3%)
 - Recognize top performers (77.8%)
 - Produce and circulate sales comm. (77.8%)
 - Interact with bank customers with questions or claims (72.2%)
 - Deliver training (72.2%)



How important are the following to your program's success?



Company Demographics

Bank	Asset Size		State Presence		# of Retail Branches		# of Lenders/Employees		How is it offered?	
	Less than \$1 billion	10.5%	1	15.8%	1-50	31.6%	1-100	33.3%	POS in Branch	100.0%
	\$1 - \$10 billion	36.8%	2-4	31.6%	51-500	31.6%	101-1,000	38.9%	POS in Call Center	38.9%
	\$10 - \$30 billion	15.8%	5-15	31.6%	501-2,000	21.1%	1,001-4,000	16.7%	Post POS	27.8%
	Greater than \$30 billion	36.8%	16-30	21.1%	2,000-7,000	15.8%	4,001-14,000	5.6%	Internet	16.7%
		31+	0.0%	7,001 +	0.0%	14,001+	5.6%	Other	0.0%	

Product	Which offer?		Administration?		Reinsure?		Centralized Underwriting	
	Credit Insurance	16.7%	Self Administration	27.8%	Yes	61.1%	Yes	63.2%
	Debt Protection	55.6%	3rd Party Administration	72.2%	No	38.9%	No	36.8%
	Both	27.8%						