

In 2014 prior to the CIMRO conference, a survey was deployed to understand industry trends for Debt Protection and Credit Insurance. A total of 14 surveys were collected online from CIMRO bank members, which is comparable to the total collected in 2013. Below is a summary of those findings.

Executive Summary

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

- Across all loan types the majority of respondents offer debt protection vs. credit insurance
- More than half of respondents (or more) do not offer any form of payment protection for Credit Card, Residential First Mortgage, Small Business Loans and Indirect Lending. Interesting note that 57% of respondents indicated that they do not offer protection on Home Equity Lines of Credit (vs 23% in 2013). There was a slight increase in the number of banks offering credit insurance or debt protection products across all loan types
- Disability, Life (Full Cancellation) and Involuntary Unemployment were the most common protections for all lending vehicles

Acceptance Rates – Most commonly based off eligible loans (73%) as opposed to total number of loans (27%)

- The 54% of respondents said their acceptance rates were 20% or lower for 2013. 27% reported acceptance rates from 21% to 30%
- 2014 YTD acceptance rates were in line with previous year
- Acceptance rates for online channel averaged in the 0-10% range. Phone channel acceptance rates were in the 11% - 15% range

Claims – 91% reported claims paid in 2013

- 66% of respondents reported total claim amounts between \$100K - \$1MM
- 22% of respondents paid over \$1MM in claims in 2013
- Life (50%) and disability (48%) represent the majority of claims paid
- 67% of respondents reported a 2013 loss ratio under 50%. In 2012, 44% indicated loss ratios between 51% -75%. Only 22% of this year's survey participants reported loss ratios in that range
- 89% of respondents do not survey their claims customers about their experience

Economic Environment – across most questions, respondents are still concerned about the current economic environment

- In comparing recent changes made to the program based on regulatory demands – 70% of respondents stated they have made recent program changes compared to 55% in 2013. 30% of respondents anticipate future program changes
- 70% of participants reported an impact to their marketing efforts. 30% of respondents made recent changes in their marketing efforts, down from 50% in 2013
- In comparing customer experience impact due to the regulatory environment, 70% have had recent impact and 90% expect future significant impact

Incentives – The majority of respondents (77.8%) 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
- Most of the incentives are paid monthly. 25% of bankers utilize points or awards for incentives.

Reporting – 90% 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 (77.8%) and reporting all the way down to the individual associate level (66.7%)
- As reporting flows from top of house down to individual banker (each level being more detailed), there are less that report at the market level; however this is most likely due to varying organizational structures and definitions of the different levels

Organizational Structure – 50% of respondents report up through Retail Banking, and 20% report to Insurance Services or Agency. On average, 1.33 employees are dedicated to management responsibilities, 3.38 employees are dedicated to administration, and .71 employees are dedicated to training. Note that only 10% of respondents had trainers devoted exclusively to their payment protection products.

- The top functions performed by support personnel were:
 1. Perform administrative functions (100%)
 2. Serve as lender resource (70%)
 3. Recognize top performers (60%)
 4. Interact with bank customers with questions or claims (60%)

- While all factors explored, as it related to contributing factors to program success, were deemed important the top 4 were (% very important):
 1. Effective sales tracking (70%)
 2. Effective training (60%)
 3. Senior management support (60%)
 4. Lender accountability (60%)

Product Offering

Direct/Secured Installment Loans	Unsecured Personal Loans/Lines	HELOANS	HELOCS	First Res. Mortgages (portfolio)	First Res. Mortgages (secondary mkt)	Credit Card	Small Business	Indirect
DP – 57.1% CI – 21.4% Both – 7.1% Neither – 14.3%	DP – 50% CI – 14.3% Both – 7.1% Neither – 28.6%	DP – 64.3% CI – 7.1% Both – 7.1% Neither – 21.4%	DP – 28.6% CI – 7.1% Both – 7.1% Neither – 57.1%	DP – 30.8% CI – 15.4% Both – 7.7% Neither – 46.2%	DP – 7.1% CI – 0% Both – 0% Neither – 92.9%	DP – 7.1% CI – 7.1% Both – 7.1% Neither – 78.6%	DP – 21.4% CI – 7.1% Both – 7.1% Neither – 64.3%	DP – 0% CI – 7.1% Both – 0% Neither – 92.9%

DP = Debt Protection
CI = Credit Insurance

2014 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	81.8%	81.8%	18.2%	18.2%	9.1%	0%	54.5%	0%	0%	0%	0%
Unsecured Personal Loans/Lines	63.6%	63.6%	18.2%	18.2%	9.1%	0%	45.5%	.0%	0%	0%	0%
Fixed Term Home Equity Loans	72.7%	63.6%	18.2%	18.2%	9.1%	0%	63.6%	0%	0%	0%	0%
Home Equity Lines of Credit	18.2%	45.5%	9.1%	9.1%	9.1%	0%	18.2%	0%	0%	0%	0%
First Residential Mortgage (portfolio)	45.5%	45.5%	0%	9.1%	9.1%	0%	9.1%	0%	0%	0%	0%
First Residential Mortgage (secondary market)	0.0%	0.0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Credit Card	0.0%	9.1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Small Business Loans	36.4%	36.4%	0%	0%	0%	0%	18.2%	0%	.0%	0%	0%
Indirect Loans	9.1%	9.1%	0%	0%	0%	0%	9.1%	0%	0.0%	0%	0%

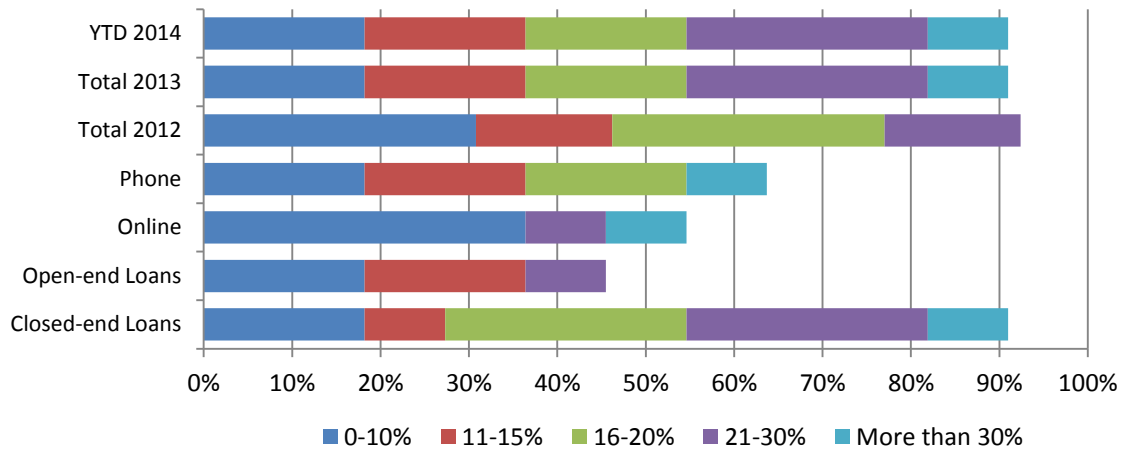
2013 Product Heat Map

	Disability	Life (Full Cancellation)	Life (Critical Period)	Accidental Death	Hospital	Term. Illness	Involuntary Unemploy.	Life Events	Family Leave	Natural Disaster	Emerg. Pay/Skip a Pay
Direct/Secured Installment Loans	76.9%	53.8%	7.7%	15.4%	23.1%	7.7%	38.5%	0.0%	7.7%	7.7%	0.0%
Unsecured Personal Loans/Lines	65.1%	38.5%	7.7%	15.4%	23.1%	7.7%	30.8%	0.0%	7.7%	7.7%	0.0%
Fixed Term Home Equity Loans	45.5%	36.4%	9.1%	18.2%	27.3%	9.1%	36.4%	0.0%	9.1%	9.1%	0.0%
Home Equity Lines of Credit	63.6%	54.5%	27.3%	18.2%	36.4%	18.2%	54.5%	0.0%	9.1%	9.1%	0.0%
First Residential Mortgage (portfolio)	45.5%	36.4%	9.1%	9.1%	9.1%	0%	9.1%	0.0%	9.1%	9.1%	0.0%
Credit Card	20.0%	27.3%	9.1%	9.1%	18.2%	18.2%	18.2%	9.1%	9.1%	9.1%	9.1%
Small Business Loans	9.1%	0%	0%	9.1%	9.1%	0%	9.1%	0.0%	9.1%	9.1%	0.0%
Indirect Loans	9.1%	0%	0%	9.1%	9.1%	0%	9.1%	0.0%	9.1%	9.1%	0.0%

Acceptance Rates

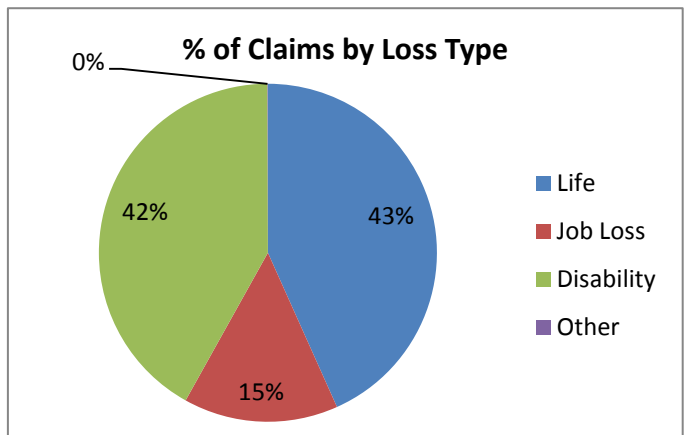
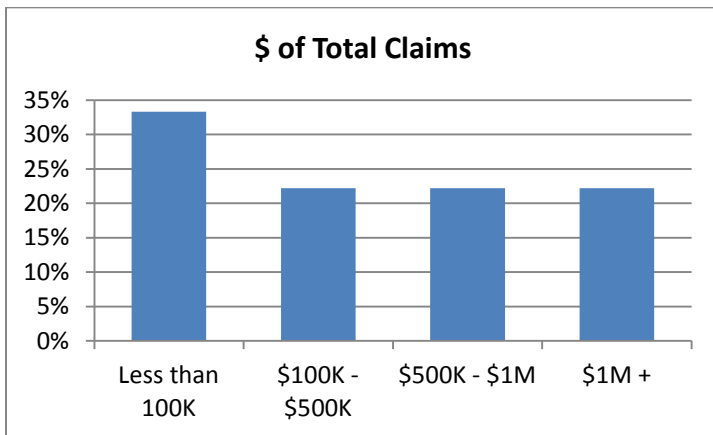
72.7% of respondents based acceptance rates on **eligible loans...**

As opposed to 27.3% who based on **total number of loans**



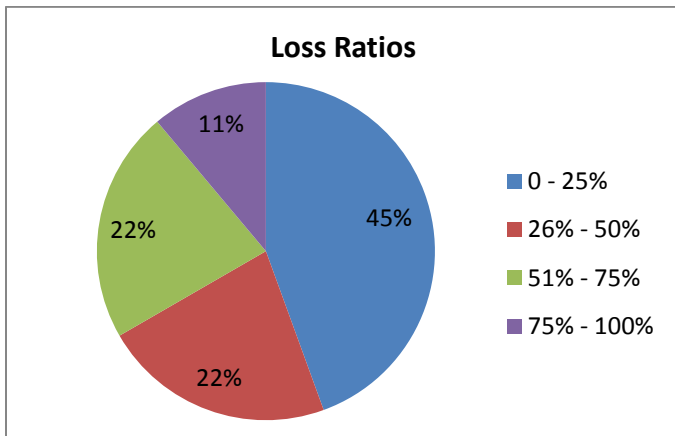
Claims

90.9% of respondents had **claims in 2013** on their loan protection program.



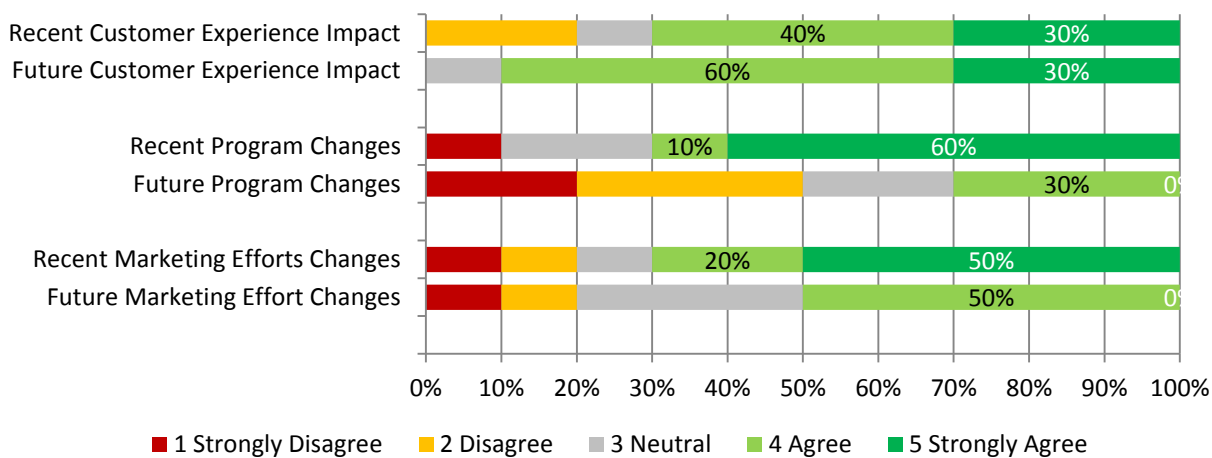
11.1% of respondents **survey** their customers about their claims experiences making the results viewable to management in all cases.

Loss Ratio Percentages



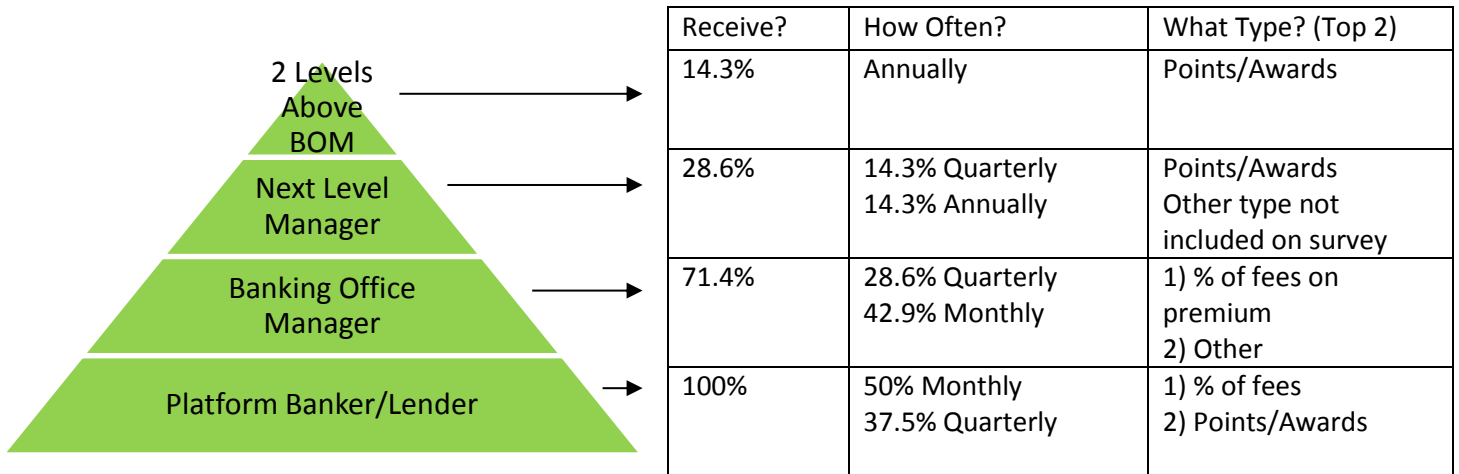
Economic Environment

How is the current economic environment impacting your business?



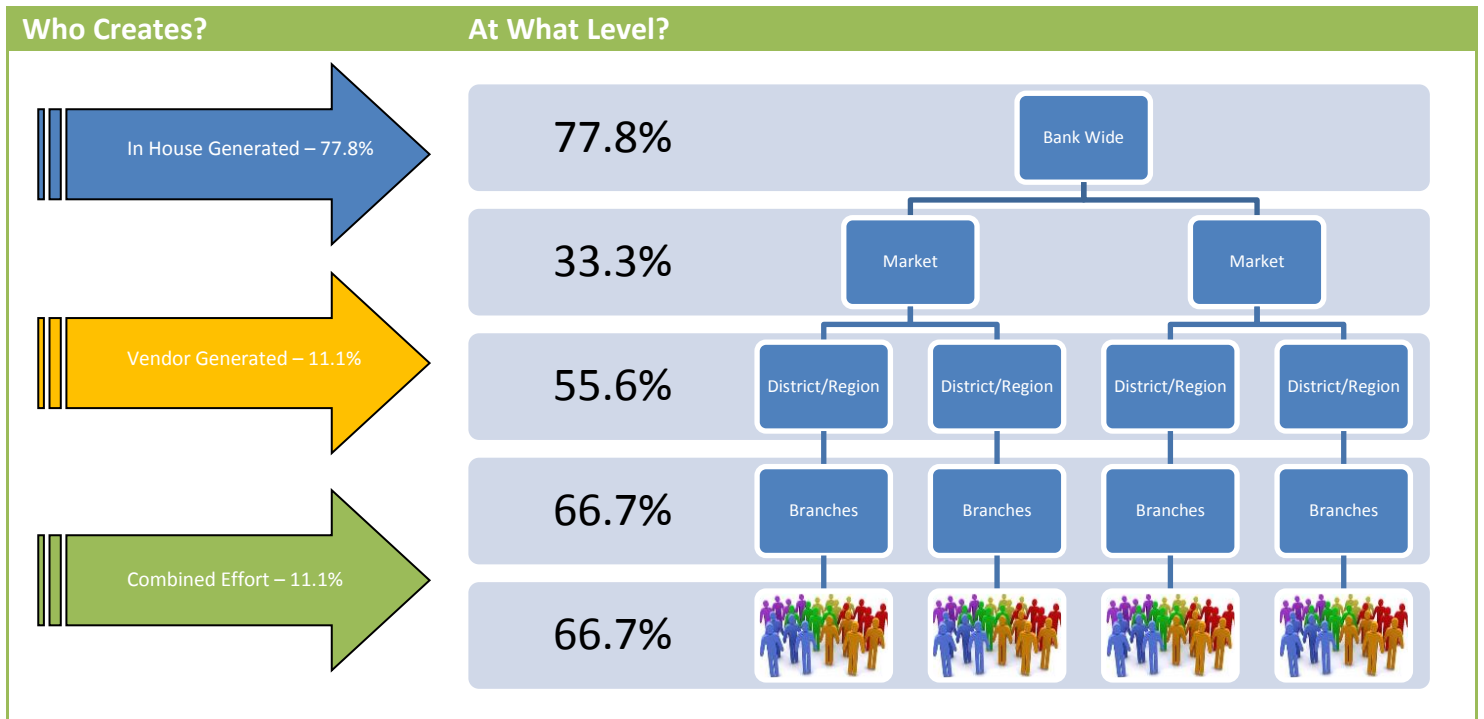
Incentives

77.8% of respondents had payment protection sales included in their *retail goals*.



Reporting

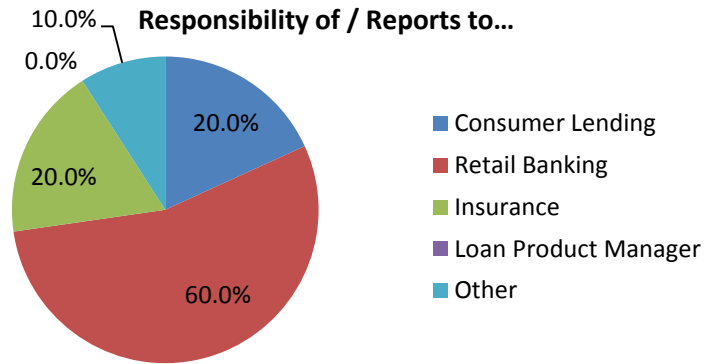
90% of respondents had *sales reporting* for their institution, with a majority generating *in house* (77.8%) and reporting all the way down to the *individual associate level* (66.7%)



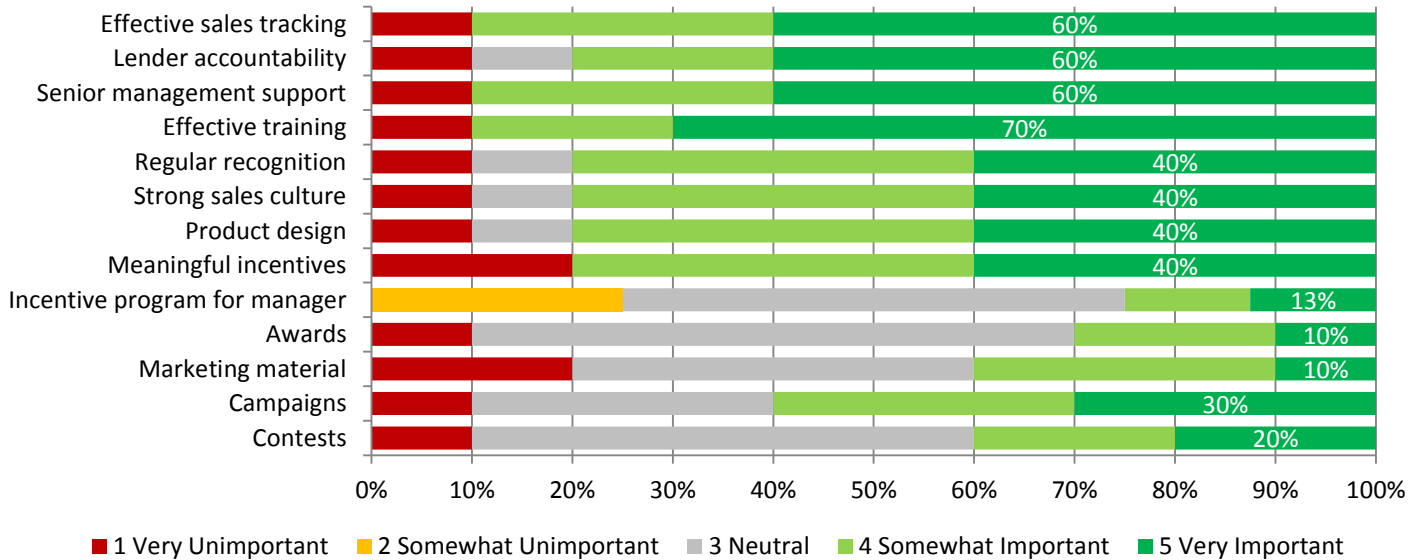
Organizational Structure

The top 5 functions performed by support personnel were:

- Perform administrative functions and produce sales tracking reports (100%)
- Serve as lender resource (70%)
- Recognize top performers (60%)
- Interact with bank customers with questions or claims (60%)
- Deliver Training (50%)



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%	1	20%	1-50	50%	1-100	50%	POS in Branch	90%
	\$1 - \$10 billion	50%	2-4	50%	51-500	20%	101-1,000	20%	POS in Call Center	30%
	\$10 - \$30 billion	10%	5-15	20%	501-2,000	20%	1,001-4,000	20%	Post POS	10%
	Greater than \$30 billion	30%	16-30	10%	2,000-7,000	10	4,001-14,000	0%	Internet	10%
		31+	0%	7,001 +	0%	14,001+	10%	Other	10%	

Product	Which offer?		Administration?		Reinsure?		Centralized Underwriting	
	Credit Insurance	30%	Self-Administration	40%	Yes	55.6%	Yes	80%
	Debt Protection	60%	3rd Party Administration	60%	No	44.4%	No	20%
	Both	10%						