

In 2015 prior to the CIMRO conference, a survey was deployed to understand industry trends for Debt Protection and Credit Insurance. A total of 15 surveys were collected online from CIMRO bank and credit union members, which is comparable to the total collected in 2014. Below is a summary of those findings.

Executive Summary

Credit Protection Program Status- 93% of respondents reported active programs. 7% have suspended their credit protection programs indefinitely. Of those with suspended programs, all expect their programs to become active again within 2 years

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

- 57% of respondents offer credit insurance, 29% of respondents offer debt protection and 14% offer both types of credit protection to their loan customers/members
- For Home Equity loans/lines, the majority of respondents offer debt protection vs. credit insurance
- Both secured installment loans and unsecured personal loans/lines favor credit insurance vs. debt protection
- For those who offer protection on small business loans, the results were equally divided between debt protection and credit insurance
- More than half of respondents do not offer any form of payment protection for Home Equity Lines of Credit, Credit Card, Residential First Mortgage, Small Business Loans and Indirect Lending
- Disability, Life (full cancellation), Accidental Death and Involuntary Unemployment were the most common protections for all lending vehicles

Acceptance Rates – Most commonly based off eligible loans (69%) as opposed to total number of loans (31%)

- The 60% of respondents said their acceptance rates were 20% or lower for 2014. 30% reported acceptance rates from 21% to 30%, while 10% have acceptance rates greater than 30%
- 2014 YTD acceptance rates were in line with previous year
- Acceptance rates for online channel averaged over 20%. Phone channel acceptance rates averaged in the 11% - 15% range

Claims – 100% reported claims paid in 2014

- 75% of respondents reported total paid claim amounts under \$500K
- 25% of respondents paid over \$1MM in claims in 2014
- Disability (59%) and life (41%) represent the majority of claims paid
- 75% of respondents reported a 2014 loss ratio under 50%, up from 67% the prior year
- 38% of respondents perform claim file audits on both denied and approved claims. 88% do not survey their claims customers about their experience

Regulatory Environment – across most questions, respondents are still concerned about the current regulatory environment

- In comparing recent changes made to the program based on regulatory demands – 67% of respondents stated they have made recent program changes compared to 70% in 2014. 33% of respondents anticipate future program changes
- 89% of participants reported an impact to their marketing efforts. 38% of respondents expect future changes in their marketing efforts
- In comparing customer experience impact due to the regulatory environment, 56% have had recent impact *and expect future* significant impact
- 100% of respondents indicated that compliance and risk assessment have become a primary focus

Incentives – The majority of respondents (67%) have payment protection sales as part of their retail goals. 87% provide incentive compensation in their organization.

- Of those organizations offering incentives, 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 or quarterly and are based on a percentage of fees on premium written

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 (71%) and reporting all the way down to the individual associate level (86%)
- As reporting flows from top of house down to individual banker (each level being more detailed), there are less that report at the market/district level; however this is most likely due to varying organizational structures and definitions of the different levels

Organizational Structure – 38% of respondents report up through Loan Product Management, and 25% report to Insurance Services/ Agency or Consumer Lending. Respondents indicated that there is 1 employees is dedicated to both management and administration duties. None of the institutions reported dedicated protection trainers.

- The top functions performed by support personnel were:
 1. Serve as lender resource (100%)
 2. Perform administrative functions (75%)
 3. Interact with bank customers with questions or claims (75%)
- While all factors explored, as it related to contributing factors to program success, were deemed important the top 4 were (% very important):
 1. Senior management support (75%)
 2. Effective sales tracking (71%)
 3. Effective training (71%)
 4. Meaningful incentives (57%)

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 – 36% CI – 57% Both – 7% Neither – 0%	DP – 29% CI – 36% Both – 7% Neither – 29%	DP – 38% CI – 36% Both – 0% Neither – 54%	DP – 15% CI – 8% Both – 0% Neither – 77%	DP – 15% CI – 8% Both – 0% Neither – 77%	DP – 0% CI – 8% Both – 0% Neither – 92%	DP – 8% CI – 8% Both – 0% Neither – 85%	DP – 23% CI – 23% Both – 0% Neither – 54%	DP – 0% CI – 0% Both – 0% Neither – 100%

DP = Debt Protection
CI = Credit Insurance

2015 Product Heat Map

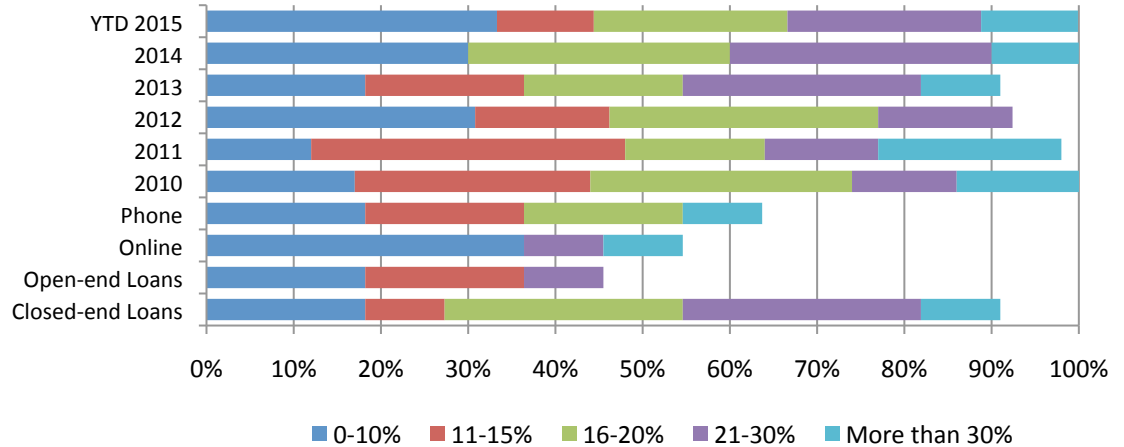
	Disability	Life (Full Cancel)	Life (Crit. Per.)	Accidental Death	Hosp.	Term. Illness	Involuntary Unemploy.	Life Events	Family Leave	Natural Disaster	Emerg. Pay/Skip a Pay	None
Direct/Secured Installment Loans	93%	93%	14%	43%	0%	0%	57%	7%	7%	0%	0%	0%
Unsecured Personal Loans/Lines	77%	69%	15%	38%	0%	0%	38%	0%	8%	0%	0%	23%
Fixed Term Home Equity Loans	50%	50%	17%	25%	0%	0%	42%	0%	8%	0%	0%	50%
Home Equity Lines of Credit	33%	42%	0%	17%	0%	0%	17%	0%	0%	0%	0%	58%
First Residential Mortgage (portfolio)	25%	25%	0%	8%	0%	0%	17%	0%	0%	0%	0%	75%
First Residential Mortgage (Secondary Market)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Credit Card	0%	18%	0%	0%	0%	0%	0%	0%	0%	0%	0%	82%
Small Business Loans	33%	33%	8%	17%	0%	0%	8%	0%	0%	0%	0%	58%
Indirect Loans	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%

2014 Product Heat Map

	Disability	Life (Full Cancel)	Life (Crit. Per.)	Accidental Death	Hosp.	Term. Illness	Involuntary Unemploy.	Life Events	Family Leave	Natural Disaster	Emerg. Pay/Skip a Pay	None
Direct/Secured Installment Loans	82%	82%	18%	18%	9%	0%	55%	0%	0%	0%	0%	18%
Unsecured Personal Loans/Lines	64%	64%	18%	18%	9%	0%	46%	0%	0%	0%	0%	37%
Fixed Term Home Equity Loans	73%	64%	18%	18%	9%	0%	64%	0%	0%	0%	0%	27%
Home Equity Lines of Credit	18%	46%	9%	9%	9%	0%	18%	0%	0%	0%	0%	55%
First Residential Mortgage (portfolio)	46%	46%	0%	9%	9%	0%	9%	0%	0%	0%	0%	46%
First Residential Mortgage (Secondary Market)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Credit Card	0%	9%	0%	0%	0%	0%	0%	0%	0%	0%	0%	91%
Small Business Loans	36%	36%	0%	0%	0%	0%	18%	0%	0%	0%	0%	64%
Indirect Loans	9%	9%	0%	0%	0%	0%	9%	0%	0%	0%	0%	91%

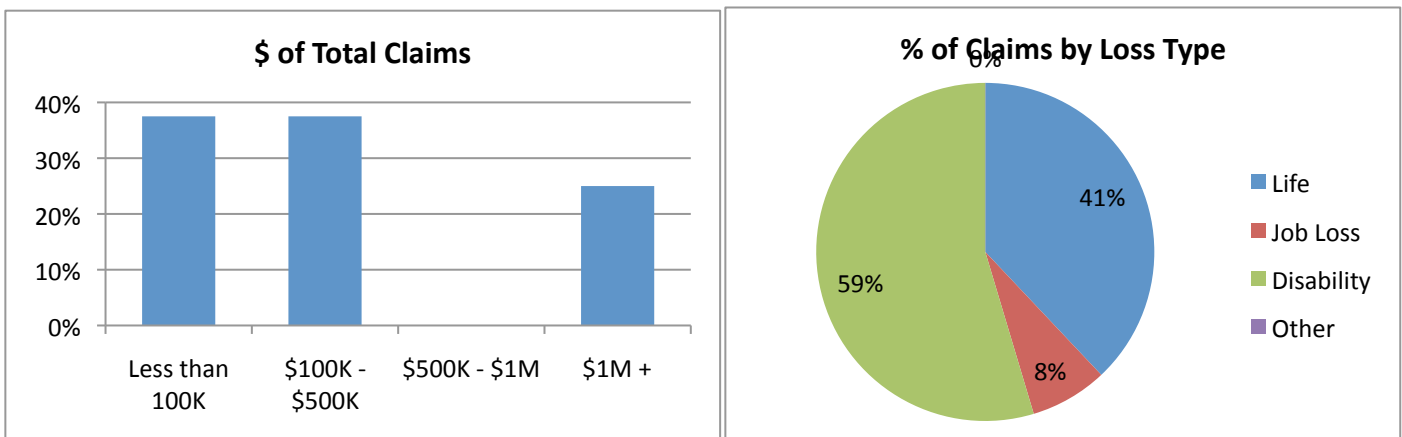
69% of respondents based acceptance rates on *eligible loans...*

As opposed to 31% who based on *total number of loans*



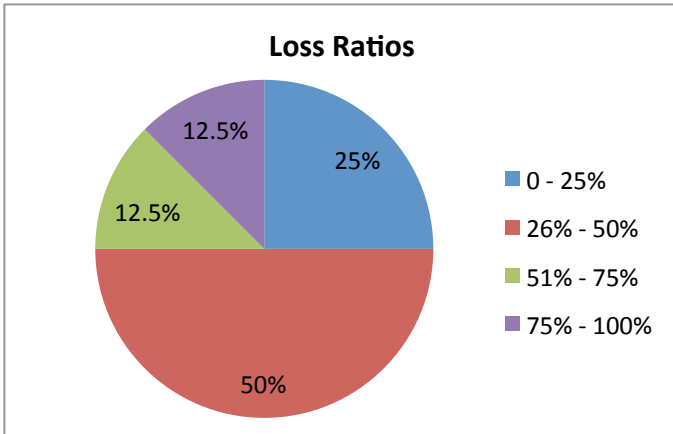
Claims

100% of respondents had *claims in 2014* on their loan protection program.

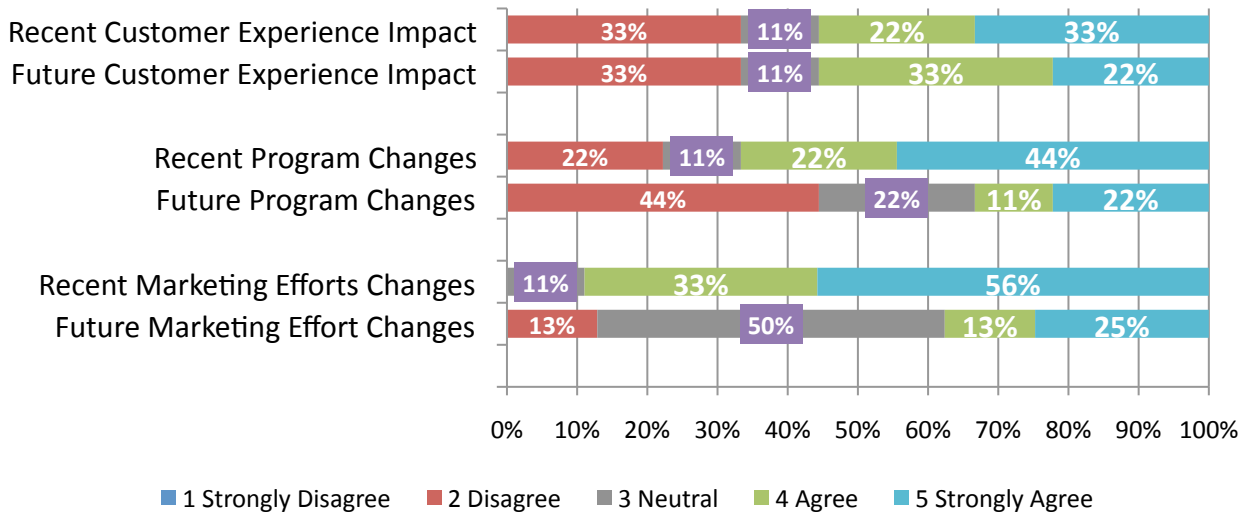


38% of respondents perform routine **claim file audits**. 13% **survey** their customers about their claims experiences making the results viewable to management in all cases.

Loss Ratio Percentages



Regulatory Environment



Incentives

67% of respondents had payment protection sales included in their **retail goals**. Of the organizations offering incentive compensation...

2 Levels Above BOM

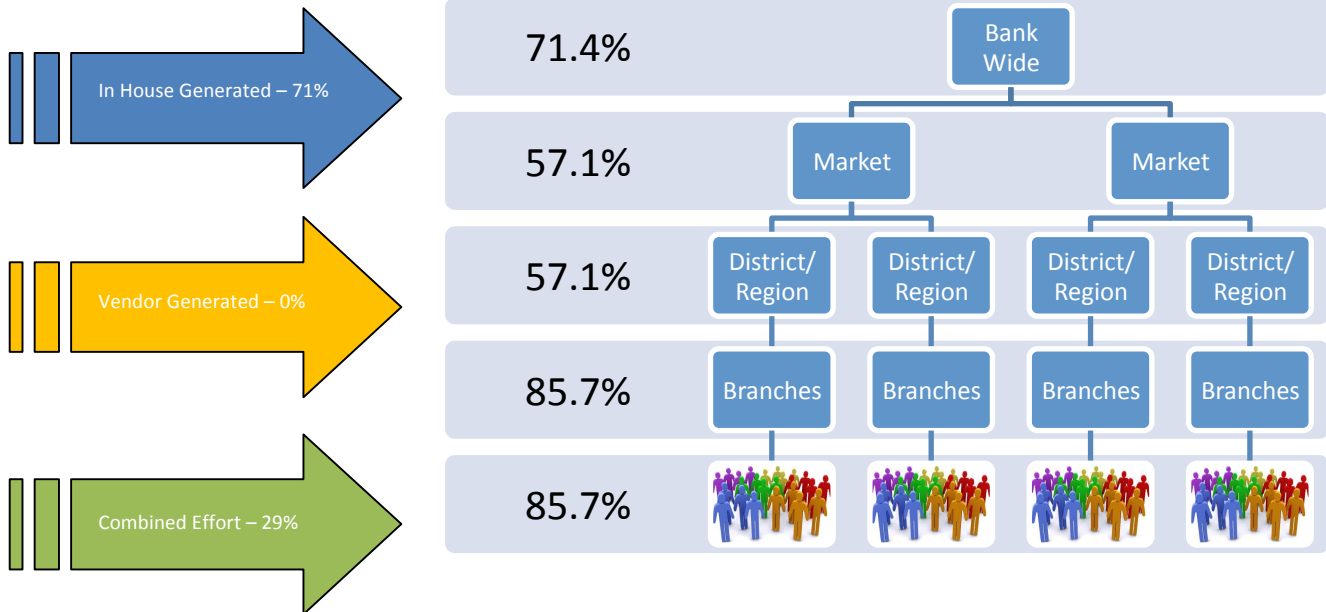
Receive?	How Often?	What Type? (Top 2)
0%	N/A	N/A
0%	N/A	N/A
60%	40% Quarterly 20% Monthly	1) % of fees on premium 2) Other
100%	50% Monthly 33% Quarterly	1) % of fees 2) One time incentive

Reporting

89% of respondents had **sales reporting** for their institution, with a majority generating **in house (71%)** and reporting all the way down to the **individual associate level (88%)**

Who Creates?

At What Level?

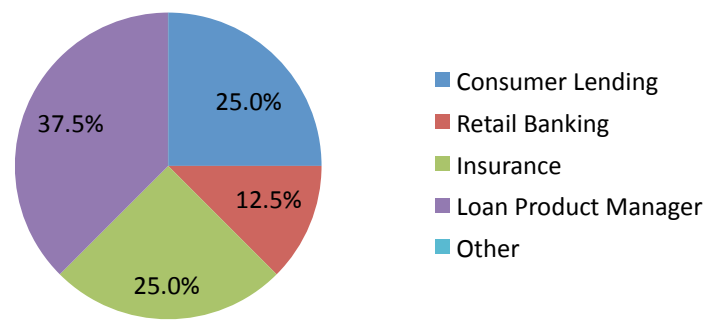


Organizational Structure

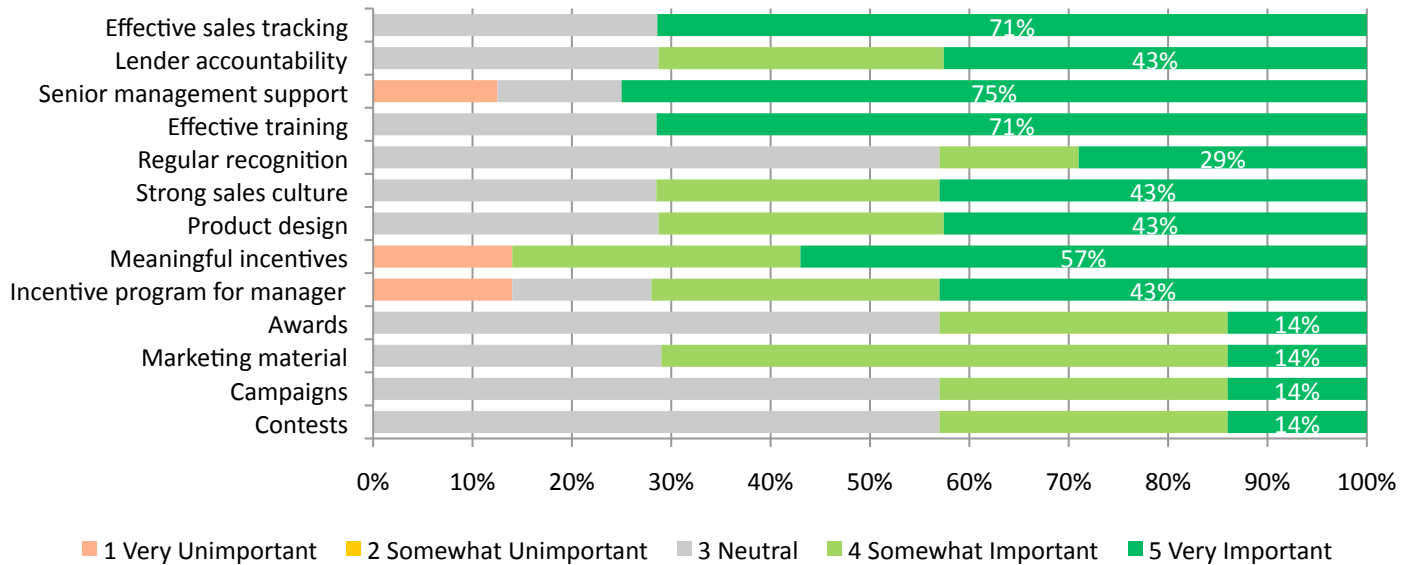
The top functions performed by support personnel were:

- Serve as lender resource (100%)
- Perform administrative functions (75%)
- Interact with bank customers with questions or claims (75%)

Responsibility of / Reports to...



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





Annual Survey Results – 2015

Bank	Asset Size		State Presence		# of Retail Branches		# of Lenders/Employees		How is it offered?	
	Less than \$1 billion	25	1	25%	1-50	38%	1-100	50%	POS in Branch	100%
	\$1 - \$10 billion	25%	2-4	38%	51-500	33%	101-1,000	33%	POS in Call Center	33%
	\$10 - \$30 billion	25%	5-15	38%	501-2,000	25%	1,001-4,000	17%	Post POS	17%
	Greater than \$30 billion	25%	16-30	0%	2,000-7,000	0%	4,001-14,000	0%	Internet	33%
		31+	0%	7,001 +	0%	14,001+	0%	Other	0%	

Product	Which offer?		Administration?		Reinsure?		Centralized Underwriting	
	Credit Insurance	57%	Self-Administration	57%	Yes	43%	Yes	87%
	Debt Protection	29%	3rd Party Administration	43%	No	57%	No	13%
	Both	14%						