

Financial Insurance Intelligence

WINTER 2011

A Publication of Bison Mountain Financial, Inc.

Federal Reserve Abandons New Credit Protection Disclosures

In September 2010, the Federal Reserve Board proposed changes to disclosures for credit protection products in its Revisions to Reg Z, R-1390. The disclosures proposed were misleading, blatantly biased, and disregarded the availability of licensed insurance agents for assistance in the buying process. The affected products would include credit life and disability insurance, debt protection, and similar products sold in conjunction with a loan.

In a February 1, 2011 press release, the Fed announced, “it does not expect to finalize three pending rulemakings under Regulation Z,” one of which included the credit protection disclosures. The announcement cited the impending transfer of authority over such matters to the Consumer Financial Protection Bureau (CFPB) and indicated any new rules would be most effective if drafted and implemented by the CFPB.

The Fed offered a public comment period which ended December 23, 2010. As of January 24, 2011, the Board had posted on its website 453 “unique” letters it received commenting upon aspects of R-1390. Of these letters, approximately 250 include comment opposing changes to the credit protection product disclosures, with the remaining letters devoted to other issues proposed in R-1390.

In addition, the Board admits that it also received thousands of “form” letters (in nine different versions) from program providers. The sheer volume of letters is indicative of how strongly credit protection providers feel about the importance of these products and the potential harm the disclosures could have inflicted.

There were several new disclosures proposed in R-1390, including this one for credit life insurance:

“If you already have enough insurance or savings to pay off this loan if you die, you may not need this product.”



Lyon Gavel, Executive Vice President of Financial Insurance Consultants, LLC, wonders, “Should a furniture dealer have to put signs on chairs in their showrooms that say, ‘STOP. If you have a couch at home, you may not need this product?’ The only other consumer product that I can think of that our government feels the need to place warnings on is cigarettes. Are we saying that credit insurance is in the same life-threatening league with cigarettes?”

While a small victory has been won, credit protection producers should be prepared to fight the issue again with the new CFPB. This publication will keep you apprised of any new developments.

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Flood PRP Extension Provision Commences in 2011

The new Preferred Risk Policy (PRP) Eligibility Extension, a cost-saving flood insurance option for properties newly-included in high risk flood zones as a result of flood map revisions, officially took effect on January 1, 2011. Buildings newly identified to be in Special Flood Hazard Areas (SFHAs) as a result of FEMA flood map revisions on or after January 1, 2011, may be eligible for a low cost PRP for two policy years following the effective date of the new flood map. In addition, buildings moved into SFHAs due to map revisions between October 1,

2008 and December 31, 2010 may be eligible for the PRP rate for two years upon their next policy renewal.

Preferred Risk Policies have previously been available only for buildings outside of a SFHA. They are significantly less expensive than those policies offered for buildings in a SFHA.

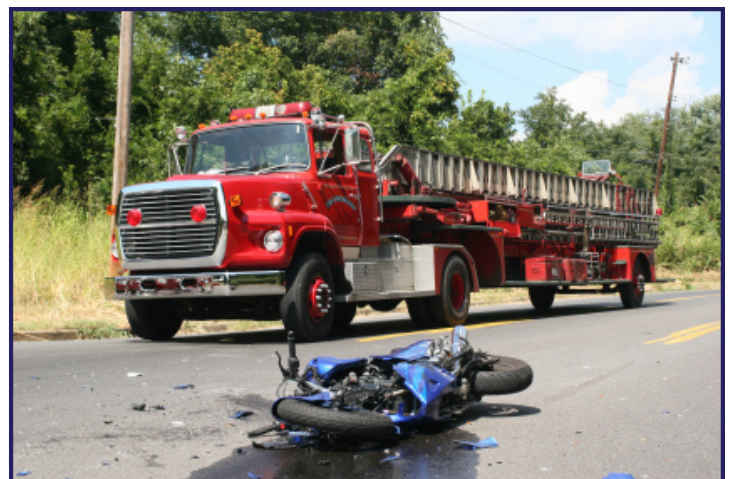
Thus far, lenders have not been too interested in getting information on a property's previous flood zone. Their focus has always been, and continues to be, the property's current flood zone. Consequently, the flood determinations produced at LPS National Flood, a leading provider of flood zone determinations, remain largely unchanged from a year earlier. LPS has, however, developed an automated solution to equip lenders with an indication of potential property eligibility for the PRP. There is an additional charge for this service and is available upon request.

Tiered CPI Rates for Different Collateral Types

Some vehicles are just inherently more risky than others. Up until recently, however, force placed insurance on a motorcycle incurred the same premium rate as insurance placed on a minivan.

Some insurers now offer tiered rates for lenders to apply to their uninsured collateral. These rates often result in a premium rate reduction for most collateral classes and for the classes most frequently force placed upon. In general, a motorcycle or an airplane warrants a higher rate than a passenger vehicle or a boat.

Rates may vary by lender and you should contact your agent for details on rates available in your state.





Continuing Education Changes in Montana

The Montana Legislature wants to make sure every insurance agent who resides in their state is practicing ethically. Or, at the very least, they want agents to sit through a three hour class on ethics every two years.

Those producers in Montana who have anything other than a limited lines credit license will now have to earn three credit hours of continuing education on the subject of ethics every two years. Agents still must earn a total of twenty-four credit hours every two years and the ethics course will simply be a content requirement within the twenty-four hours. Limited lines producers are exempt from this requirement.

Those agents that are reporting their continuing education credits in 2012 will be the first required to report compliance with the ethics requirement. Agents reporting in 2011 may earn credits in ethics but are not required to do so.

2011 CE Class Schedule

Tuesday, April 12, 2011

8:00--9:00 am

Legislative Changes to Montana Insurance Statutes 2009

9:00 am--1:00 pm

Credit Insurance Applications

Hampton Inn on Harrison Avenue

Butte, MT

Wednesday, April 13

8:00--9:00 am

Legislative Changes to Montana Insurance Statutes 2009

9:00 am--1:00 pm

Credit Insurance Applications

Montana FCU Bldg

15 14th Street South

Great Falls, MT

Glendive: May 17, 2011

Helena: June 14, 2011

Kalispell: August TBD

Glasgow: October TBD

Billings: October TBD

Missoula: November TBD