



Consumer Credit Industry Association

Consumer Credit Industry Association
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Angela Dingus, Vice-Chair, Market Conduct Annual Statement Blanks (D) Working Group
c/o Tressa Smith, Sr. Market Analyst, NAIC
Submitted via email: tesmith@naic.org

Re: Blanket VSI and NAIC MCAS Reporting

Dear Ms. Dingus,

The Consumer Credit Industry Association (“CCIA”) appreciates the opportunity to evaluate the inclusion of Blanket Vendors Single Interest insurance (“Blanket VSI”) in the NAIC Market Conduct Annual Statement (“MCAS”). CCIA reiterates and reinforces its previous comments¹ that Blanket VSI should be excluded from MCAS altogether, and offers a simple solution to resolve the expected analysis problems with the 2018 lender-placed insurance MCAS experience data.

Blanket VSI Should be Excluded from MCAS.

Blanket VSI is a two-party single-interest commercial insurance policy that entails no individual coverage, no exposure management (aka, insurance “tracking”), no consumer notices, no consumer cancels, no consumer refunds, no consumer claims. The lender is covered by Blanket VSI through the lending process for all loans at their inception. The insurance process between insurer and consumer addressed by the NAIC Creditor Placed Insurance Model Act and subsequently monitored by MCAS data reporting is not applicable to Blanket VSI, rendering Blanket VSI data unnecessary and potentially corrupting analysis for MCAS purposes.

Blanket VSI’s exclusion from MCAS data is also apparent per the definitional scope in MCAS. The Lender-Placed Data Blank offers the following umbrella definition: “Lender-placed insurance has the same meaning as “*Creditor-placed insurance*” to be reported in the *Credit Insurance Experience Exhibit (CIEE)*...” yet a reading of the CIEE definitions reflects that “*Creditor Placed Insurance*” means insurance that is purchased unilaterally by the creditor, who is the named insured, **subsequent to the date of the credit transaction**, providing coverage against loss...” (emphasis added). Blanket VSI is not purchased subsequent to the date of the credit transaction. Clearly the meaning of the CIEE definition applies to a certificate or individual policy product issued post-loan closing, not Blanket VSI, which is in place when the loan transaction is initiated and consummated.

¹ CCIA letter to the Market Conduct Annual Statement Blanks (D) Working Group, December 12, 2019.

Finally, practical and technical considerations also support excluding Blanket VSI from MCAS. The NAIC MCAS Best Practices Guide² describes how claims handling and underwriting are the core focus of reported data, neither of which applies to Blanket VSI. Coupled with the fact that Blanket VSI premiums comprise a mere 5% of the lender-placed market for home and auto, this should raise significant practical questions about allocating scarce regulatory resources to this small market.

Simple Solution Resolves Data Issue, Maintains Process Integrity

Excluding Blanket VSI is the strategic solution going forward to eliminate the potential for corrupted results when regulators are evaluating the certificate-based lender-placed insurance market and ensuring that market data reconciles with the CIEE definition of Creditor Placed Insurance (CPI) adopted by MCAS. Correspondingly, CIEE reported data should finally conform to the scope of its own definition for CPI.

However, there remains 2018 experience data that includes Blanket VSI (and forthcoming 2019 experience data if this issue is not addressed in a timely manner).

Industry supports a simple tactical solution: insurers would resubmit their 2018 CPI experience data for MCAS and CIEE excluding Blanket VSI.

Resubmitting 2018 CPI experience data for MCAS and CIEE without Blanket VSI is an elegant, logical and simple solution for all parties, and one that adheres to the long-standing definition in the CIEE.

* * *

Excluding Blanket VSI from MCAS and the CIEE enables regulators to focus on other true consumer-engaged insurance products, maintain the core MCAS focus on claims and underwriting and optimize their scarce resources and enhance analysis capabilities by assuring “clean” MCAS data for true lender-placed insurance. Equally important, excluding Blanket VSI from MCAS and the CIEE maintains the integrity and intent of each process, as defined by the very instruments themselves.

We look forward to discussing this simple solution. Thank you for your consideration.

Sincerely,



Tom Keepers

***About CCIA.** CCIA fosters consumer financial security by assuring a healthy market for consumer asset and debt protection products. Made available through lenders, retailers and auto dealers, the products help consumers meet their loan or payment obligations should an unforeseen event arise such as disability, job loss, death, total loss of a vehicle, auto mechanical repairs, or failure to secure primary insurance coverage.*

² National Associate of Insurance Commissioners, March 2014 Revision