

Credit Insurance Report - Massachusetts Division of Insurance

Calendar Year 2024

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Acknowledgements

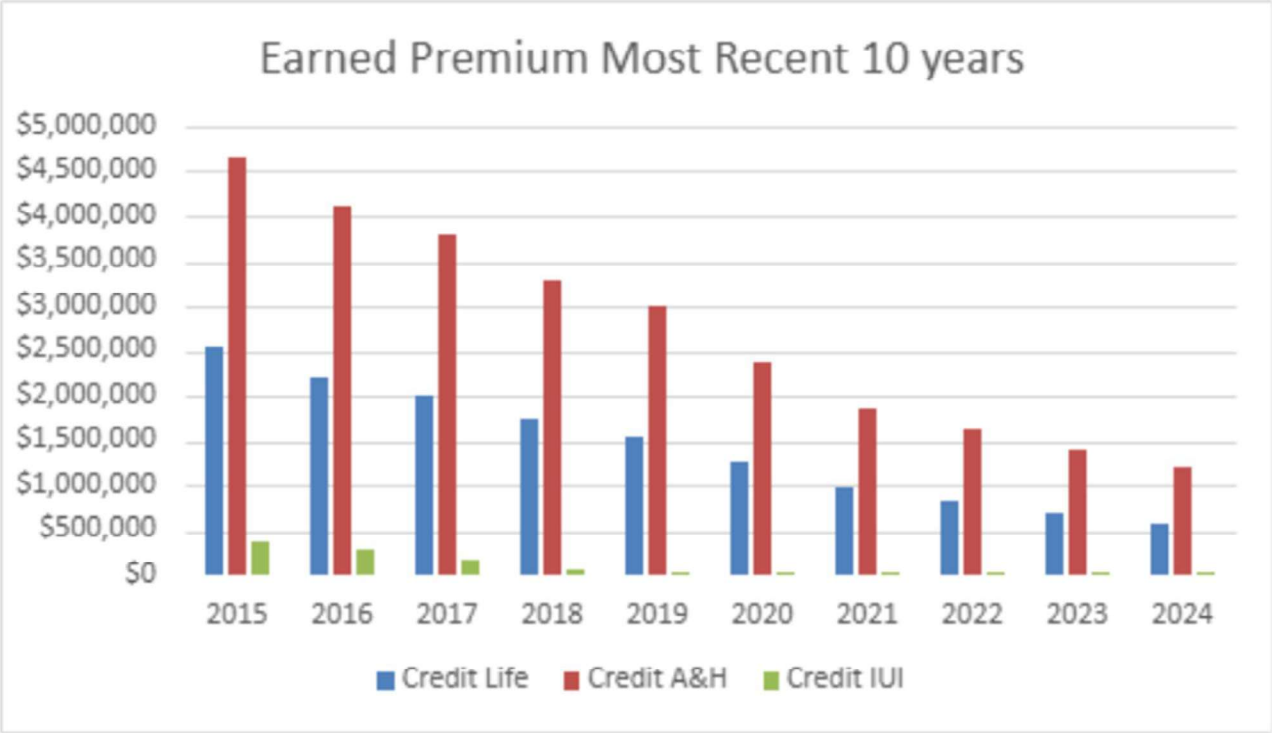
The following report was prepared by the Health Care Access Bureau ("HCAB"), under the supervision of Kevin P. Beagan, Deputy Commissioner. The report is primarily based on submissions reflecting the experience of insurers offering credit insurance in Massachusetts. Unless otherwise noted in the report, references to "credit insurance" include credit life insurance, credit disability income insurance, and credit involuntary unemployment insurance.

The Division makes all appropriate efforts to check the completeness and consistency of data reported by insurance companies but relies on insurers to ensure the accuracy of all reported information.

Summary

As required by M.G.L. c. 175, §117C(b), the Division of Insurance ("DOI") collected information from all carriers with credit insurance experience in 2024.

Credit insurance business has declined steadily over the past 10 years to a level of approximately $2 million market-wide[1] in 2024. It is believed that this decrease is because credit insurance products regulated by the DOI have been replaced by debt cancellation/suspension products offered through banking organizations that are not considered insurance and are regulated by the federal Office of the Comptroller of the Currency.[2]



[1] Excluding Credit Property insurance, which is outside the scope of this report.

[2] The federal Office of the Comptroller of the Currency regulates debt cancellation agreements and debt suspension agreements sponsored by national banks according to 12 CFR Part 37.

Overview of Credit Insurance

Credit insurance is a line of insurance coverage that may be offered to debtors of a lending organization for lines of credit other than a residential first mortgage (also known as "first lien on a residential property").[3] Depending on the coverage purchased, credit insurance may pay all of a debt or the required minimum periodic payments. Under Massachusetts law, it is illegal for a lender to require a person to buy credit insurance as a condition of obtaining a loan.[4] Potential insureds (debtors) are required, by regulation, to receive certain disclosure materials prior to any such coverage becoming effective. [5]

Types of Credit Insurance

Credit Life Insurance

Credit life insurance is designed to pay off a specific debt, such as a car loan, in the event of the death of the insured. Unlike traditional life insurance, the beneficiary on the credit life insurance policy is the entity who offers the credit (the "creditor"), not a friend or family member of the insured. Credit life insurance in Massachusetts must adhere to the following standards set forth in M.G.L. c. 175, §110:

(1) the death benefit may not be more than $125,000,
(2) the insurance coverage may not be for more than a 15-year period,
(3) the insurance coverage may only be for the remaining outstanding balance of a debt, and
(4) the coverage ends when the debt is discharged.

Pursuant to M.G.L. c. 175, §117C, an insurance company's credit life losses in relation to its earned premium, called the loss ratio, must be equal to at least 50 percent.

Credit Disability Income Insurance

Credit disability income insurance, also known as credit accident and sickness insurance, is designed to pay a monthly loan amount equal to at least the minimum monthly payment required under the debt agreement. Unlike traditional disability insurance, the beneficiary is the creditor and payments are made to the creditor instead of to the covered person. Credit disability income insurance may be offered in Massachusetts only in accordance with the following standards set forth in M.G.L. c. 175, §110:

(1) the monthly benefit is equal to the loan's minimum monthly payment,
(2) there may be an elimination period before a benefit is paid, and

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[3] As authorized under Chapter 303 of the Acts of 1988, credit insurance is to be used with a "loan for personal, family or household purpose, except in the case of a loan secured by a first lien on real property" (M.G.L. c. 255, §12G); "retail installment contract" (M.G.L. c. 255B §10); "premium finance agreement" (M.G.L. c. 255C, §14A); or "retail installment sale agreement or revolving credit agreement" (M.G.L. c. 255D, §26).

[4] *See* M.G.L. c. 255, §12G; M.G.L. c. 255B, §10; M.G.L. c. 255C, §14A; and M.G.L. c. 255D, §26.

[5] *See* 211 CMR 143.00.

(3) the benefit may or may not be retroactive.

Pursuant to M.G.L. c. 175, §117C, an insurance company's loss ratio for credit disability income insurance must equal at least 55 percent.

Credit Involuntary Unemployment Insurance

Credit involuntary unemployment insurance is designed to pay a monthly amount in the event the insured loses their job. Unlike traditional involuntary unemployment insurance, the beneficiary is the creditor and payments are made to the creditor instead of to the covered person. Credit involuntary unemployment insurance may be offered in Massachusetts only in accordance with the following standards set forth in M.G.L. c. 175, §110:

(1) the monthly benefit is equal to the loan's minimum monthly payment,
(2) there may be an elimination period before a benefit is paid, and
(3) the benefit may or may not be retroactive.

Pursuant to section M.G.L. c. 175, §117D, an insurance company's loss ratio for credit involuntary unemployment insurance must equal at least 60 percent.

Credit Insurance Rates for Motor Vehicle Dealers

The rates to be used for credit life and credit disability income insurance offered through the Motor Vehicle Dealers ("MVD") class of business for auto-related loans are set by the Division every three years using the last three available years of experience. Division Bulletin 2022-10 identifies the rates that apply for calendar years 2023 through 2025 based on 2020-2022 experience.[6]

For all other classes of business, insurers must submit rate filings to the Division for the specific line that comply with the statutorily defined loss ratio standards, as described above.

Experience for Calendar Year 2024

The Division requested that companies report data separately for credit life, credit disability income, and credit involuntary unemployment insurance. Within the credit life and credit disability income categories, the Division further requested that information be reported separately for the MVD and non-MVD classes of business.[6] The Division also requested that companies report data for each individual product offered within each category of coverage so that the loss ratio of each individual product could be compared to the applicable statutory loss ratio requirement.

As of 2024, only three companies – American National Insurance Company, CMFG Life Insurance Company and Minnesota Life Insurance Company - were actively writing credit insurance business while other companies were servicing closed blocks of coverage.

As illustrated in Table 1, the vast majority (over 97%) of earned premium during 2024 was generated from two companies.

2024 Credit Insurance Earned Premium

Company Name	MVD Life	MVD A&H	Credit Life	Credit A&H	Credit IUI	Total
American National Insurance Company			$ 7,675	$ 18,558		$ 26,233
Central States Health & Life Co. of Omaha	$ 26		$ 716			$ 742
Central States Indemnity Co. of Omaha				$ 1,424	$ 960	$ 2,384
CMFG Life Insurance Company			$ 430,428	$ 904,833		$ 1,335,261
Guarantee Trust Life Ins Co.	$ 1,003					$ 1,003
Life Of The South Ins Co.			$ 1,701	$ 1,157		$ 2,858
Minnesota Life Insurance Co.	$ 912	$ 28	$ 139,834	$ 272,747		$ 413,521
The Savings Bank Mutual Life Insurance Company of Massachusetts			$ 7,149			$ 7,149
Wesco Insurance Company					$ 283	$ 283
Total	$ 1,941	$ 28	$ 587,503	$ 1,198,719	$ 1,243	$ 1,789,434

Table 1

Data Requirements

In accordance with M.G.L. c. 175, §117C(b) each insurer is required to file claims experience and loss ratio data annually. The Commissioner of Insurance is required to provide a summary of the information reported by companies. When submitting information, insurers are to report claims and premium data and calculate a loss ratio in the following manner:

Incurred Claims = Total credit insurance claims paid during the experience period adjusted for changes to the credit insurance claim reserve

[6] This information was not requested for credit involuntary unemployment insurance because the Division does not set rates for any class of business within that line.

Earned Premiums = Actual earned premiums

$$\text{Loss Ratio} = \frac{\text{Incurred claims}}{\text{Earned premiums}}$$

Loss Ratio Experience

Year	Credit Life	Credit A&H	Total[7]
2022 LR	46.22%	40.24%	42.27%
2023 LR	41.38%	49.89%	47.07%
2024 LR	25.81%	31.69%	29.75%
Total LR	38.95%	40.99%	40.90%

Table 2

Within Table 2, the loss ratios are reported for the lines of credit insurance for the past 3 years.

As required by statute, the DOI reviews each company's loss ratio experience, by product, for compliance with statutory minimum loss ratios and requires companies falling below minimum thresholds to file to adjust rates. This year, company-reported data did not meet statutory data credibility thresholds due to the low premiums, and companies were therefore not required to adjust rates[8].

It is expected that the level of premium (and credible claims information) in the market will continue to decline going forward.

[7] Loss Ratios for credit involuntary unemployment insurance are not included due to insufficient premium levels.
[8] The credibility factors are established in M.G.L. c. 175, §117C.