

# PRODUCT TRAINING MANUAL

## CREDIT INSURANCE PRODUCTS



**AMERICAN NATIONAL INSURANCE COMPANY  
CREDIT INSURANCE DIVISION  
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# MORE THAN A CENTURY OF SERVICE

Chartered under the laws of Texas in 1905, American National Insurance Company (American National) has enjoyed persistent growth during the past ten decades. Since its beginning in a three-story building on 22<sup>nd</sup> and Strand in Galveston, TX, the Company has evolved into an industry leader, ranking among the strongest of the more than 1,800 life insurance companies in the United States.

From a beginning capital of \$100,000 and surplus of \$20,000, American National now has realized assets in excess of \$20 billion.

Today, the Company and its affiliates provides personalized services to about 7,000,000 policyowners throughout 50 states, including Hawaii and Alaska, as well as the District of Columbia, Guam, Puerto Rico, and Western Europe. Business is conducted in New York by American National Life Insurance Company of New York, (Glenmont, NY), a subsidiary of ANICO.

This remarkable record of growth is the result of aggressive management, which had its beginning with Galveston pioneer and financier, W. L. Moody, Jr., the Company's founder.

The Company has enjoyed steady growth through the sale of individual life and health insurance from its inception. The American National family of companies offers a complete line of insurance protection including individual, group, credit life and credit disability insurance, mutual funds, pension plans, annuities, and in some states, property and casualty coverage.

## **STRENGTH AND STABILITY**

American National enjoys an A. M. Best rating of A (Excellent) and a Standard & Poor's rating of A (Strong). American National's strength and stability is unsurpassed in the insurance industry with over \$120 of assets per \$100 Liabilities. American National's strong financial position will enable the Company to respond aggressively to the challenges and opportunities of the future.



# AN INDUSTRY LEADER

American National's Credit Insurance Division is recognized as one of the leading writers of credit-related insurance products in the United States. With over sixty years' experience in the industry, American National has earned a reputation as an industry leader by offering a wide variety of competitive products and services to the financial marketplace and supporting them with borrower-focused service. American National is continually striving to enhance the value and service provided to both borrowers and producers.

The American National portfolio of credit-related debt protection products and administrative services are offered through credit unions, banks, consumer finance companies, and retail merchants.

For more detailed information, you may visit American National's web site at [WWW.ANICO-CID.COM](http://WWW.ANICO-CID.COM).



# OUR COMMITMENT

American National's mission is to be the company of choice for insurance and other financial products and services while maintaining superior financial strength.

Our staff is committed to helping you understand the credit insurance products we are offering through you that will enhance the portfolio of products available to your borrowers and to provide answers to questions you might have regarding these credit insurance products. To ensure that your program is a success, we will thoroughly review with your team all of the critical elements that will drive your program including: administration, marketing, and training.

We are prepared to launch your program in an efficient and seamless manner. Our team will seek solutions that will add value to your organization and strengthen your relationship with your borrowers.

## DESCRIPTION OF CAPABILITIES

**Why American National?** We provide the key ingredients for a successful debt protection program.

- Sound financial partner
- Proven leader in the credit insurance markets
- Detail-oriented partner positioned to immediately provide requested products and exceptional support services, including, but not limited to, training, licensing, claims, compensation, and reporting

**“We are committed to delivering products that will strengthen your relationship with your borrowers.”**



# SUPPORT SERVICES

**As part of our commitment to delivering a successful program, our team of marketing and service professionals will provide the following services:**

- Organize and coordinate the implementation of the proper systems to get your program started
- Provide detailed procedure manuals and the required documents for all product types
- Customer Service staff is available from 8:00 a.m. to 4:30 p.m. (Central Standard Time) Monday through Friday to answer questions regarding policies, premium quotes/cancellations and claims. Online Customer Service is available from 7:00 a.m. to 6:00 p.m. (Central Standard Time) Monday through Friday at: [WWW.ANICO-CID.COM](http://WWW.ANICO-CID.COM)
- Periodically analyze your program to help maximize your program's potential
- Provide monthly production and loss ratio reports to review your program's profitability
- Additional reports including claim/benefit analysis and average term data are also available for review.

***Support services are available to help your business maximize its profits and to ensure that all facets of your program are meeting the needs of your clients. American National's staff is always available to assist your organization and to help guarantee the success of your program.***



# INSURANCE TERMINOLOGY

1. **Accident & Health (A&H):** Credit disability insurance is often referred to as credit accident & health insurance or credit A&H insurance. These terms all have the same meaning. (See “Credit Disability Insurance” below.)
2. **Balloon Note:** A credit obligation in which repayment consists of a series of equal installment payments and a final, larger “balloon” payment.
3. **Certificate:** An insurance form provided to a debtor who has elected to purchase credit insurance and has been enrolled under a group policy issued by the insurance company to the creditor. It contains material terms and conditions of the coverage.
4. **Credit Disability Insurance:** Coverage purchased in conjunction with a credit obligation that provides funds for some or all of each payment on the indebtedness during some or all of a period that the borrower is unable to work as a result of accident or sickness originating during the insurance term.
5. **Credit Insurance:** Coverage purchased in conjunction with a credit obligation. For purposes of this booklet, it includes credit life insurance and credit disability insurance.
6. **Credit Life Insurance:** Term coverage purchased in conjunction with a credit obligation that provides a benefit in the event of an insured’s death during the term of the coverage.
7. **Decreasing Term Coverage:** A type of credit life insurance in which the amount of insurance decreases during the insurance term. It is written primarily on closed-end installment loans, which are expected to be paid down during the insurance term.
8. **Effective Date:** The date that insurance coverage begins with respect to a debtor or joint debtors on a single loan. It is usually the effective date of the loan.



# INSURANCE TERMINOLOGY

9. **Gross Coverage:** A type of credit life insurance that covers the total of loan payments remaining at the time of a payable death. This includes principal, interest, insurance premium, and other loan-related fees.
10. **Group Policy:** Insurance form that the insurance company delivers to a creditor who will be offering credit insurance to its debtors. It contains the terms and conditions of the coverage to be offered.
11. **Individual Policy:** An insurance form delivered to a debtor who has purchased credit insurance offered through a creditor who has not been issued group policy by the insurance company. The creditor offers individual coverage to its debtors as a producer for the insurance company. The individual policy contains the terms and conditions of the coverage purchased by the debtor.
12. **Joint Life Coverage:** A type of credit life insurance that provides protection for two signers of a loan contract. The co-debtor must be a spouse or business partner and jointly and severally liable for repayment of the debt.
13. **Level Term Coverage:** A type of credit life insurance that provides a level and constant amount of insurance throughout the entire insurance term. It is typically written when there are irregular payments and/or balloon notes.
14. **Net Pay Life Coverage:** A type of credit life insurance that covers the net principal balance of the loan. The insurance benefit will generally be equal to the scheduled loan balance that was expected to be due the creditor at the time of a payable death.
15. **Outstanding Balance Coverage:** The amount due under a credit obligation at a specific point in time. (Also known as: net indebtedness, outstanding net indebtedness, and outstanding principal balance)



# INSURANCE TERMINOLOGY

16. **Pre-existing Condition Exclusion:** An exclusion that often appears in credit disability insurance coverages. It disallows benefits for a disability commencing within a specified period of time after the effective date of the insurance coverage (or the date of a loan advance) if the disability is the result of an injury, disease, or condition for which the insured had received consultation, diagnosis, or treatment from a medical professional within a specified period of time prior to the effective date of the insurance coverage (or the date of a later loan advance). This exclusion may also apply to credit life insurance.
17. **Prima Facie Rates:** Credit life insurance and credit disability insurance premium rates that are generally presumed by a state's insurance or credit laws to be reasonable in relation to the insurance benefits provided, so long as the benefits are no less favorable to the insured than certain standards set out in the prima facie rate laws.
18. **Pro Rata Refunding:** A premium refund method in which an equal portion of the premium is earned by the insurance company for each period or month of the insurance term. The refund will be based on the portion of the premium that remains unearned.
19. **Retroactive Waiting Period:** An insured must remain disabled a specified number of consecutive days before benefits become payable. Once the waiting period has expired, benefits are payable back to the first day of the period of disability. If the period of disability is shorter than the waiting period, no benefits will be paid. The typical waiting periods are 7, 14, and 30 days.
20. **Rule of Anticipation Refunding:** A premium refund method used on decreasing credit life coverage and credit disability coverage. The amount refunded equals the premium that would have been due on the remaining insured balance as of the date the insurance was canceled.
21. **Rule of Mean Refunding:** A premium refund method used primarily on decreasing credit life coverage and credit disability coverage. The amount of refund equals the simple average of the refund amounts calculated under the Pro Rata and Rule of 78s methods.



# INSURANCE TERMINOLOGY

22. **Rule of 78s Refunding:** A premium refund method used primarily on decreasing credit life coverage and credit disability coverage. It provides for the insurance company to earn premium at a faster rate than pro rata, because the insurance company is exposed to a greater risk at the beginning of the insurance term than at the end. The refund is based on the portion of the premium that remains unearned.
23. **Single Life Coverage:** A type of credit life insurance that provides protection to only one specified individual signing a loan contract, regardless of how many individuals are signing the loan contract. If the contract is executed jointly, the individual named as the insured is generally the individual who is primarily responsible for repayment of the loan.
24. **Single Premium Coverage:** Credit insurance coverage for which a premium is charged only once at the inception of the insurance coverage.
25. **Truncated Coverage:** Credit insurance coverage with an insurance term that is less than the term of the credit obligation. This happens most often when the maximum age is reached or when a loan term is longer than the maximum insurance term on the certificate or policy.



# CREDIT LIFE INSURANCE

Credit Life Insurance is purchased in conjunction with a consumer credit transaction, which provides a death benefit to pay off or reduce the credit obligation in the event of an insured's death during the term of the coverage.

## TYPES OF COVERAGE

**Single Life:** Covers the primary debtor listed on the instrument of indebtedness

**Joint Life:** Covers the primary debtor and co-debtor. The co-debtor must be a spouse or business partner and severally liable for repayment or the indebtedness.

## DESCRIPTION OF BENEFITS

**Decreasing Term Life:** Initial amount of insurance shown in the schedule reduces during the term according to the amortization schedule in the policy.

**Level Life:** Initial amount shown in the schedule remains level for the term of the coverage.

## DESCRIPTION OF EXCLUSIONS

Limitations: The amount of life insurance payable is limited to the amount of the premium paid in the event of the death of an Insured if the result of any of the following within two years of the effective date of the policy:

- Suicide, while sane or insane
- War, declared or undeclared
- Flight in non-scheduled aircraft



# CREDIT DISABILITY INSURANCE

Credit Disability Insurance purchased in conjunction with a consumer credit transaction, which provides monthly benefit payments to the lender while the insured is disabled as a result of an eligible sickness or injury during the term of the coverage.

## TYPES OF COVERAGE

**Retroactive Benefits:** (14 days) Provides benefits from the first day of disability once the claimant has been injured or sick for fourteen (14) days.

## DESCRIPTION OF BENEFITS

Provides a daily benefit equal to one-thirtieth (1/30<sup>th</sup>) of the scheduled monthly payments on the contract of indebtedness.

## DESCRIPTION OF EXCLUSIONS

**Disabilities not Covered:** Benefits are not paid for disability resulting from:

- Elective abortion
- Normal pregnancy
- An intentional self-inflicted injury
- Foreign travel or residence
- Suicide, while sane or insane
- War, declared or undeclared
- Flight in nonscheduled aircraft
- Pre-existing illness, disease, or condition for which medical diagnosis or treatment within the six (6) months preceding the effective date as shown in the schedule, and which causes loss within six (6) months following the effective date as shown in the schedule.



## ADVANTAGES AND BENEFITS OF CREDIT INSURANCE

### **To the Bank**

Fee Income

Reduces charge-offs and delinquent loans

Reduces collection costs

Reduces or prevents costly, embarrassing debt – collection actions

Strengthens your customer relationship

### **To the Bank Employee**

Satisfaction that you are providing a valuable service to your customer and providing profit to your employer

Creates the opportunity to earn additional income

### **To the Bank Customer**

Credit Life is designed to pay the borrower's loan balance in case of death. Credit Disability is designed to make the borrower's loan payments due to disability from sickness or injury.

Coverage is effective immediately.

Unearned premium is refunded if loan is paid off early.

Credit Insurance allows you to purchase the coverage you need. The coverage is tailored to the amount you borrow.

Coverage is in addition to other insurance policies of the customer.

No cash outlay is required, as premiums are financed with the loan.



## PRODUCTION PERFORMANCE / TWO METHODS

### I. Penetration Method

To determine the Penetration Percentage, a simple calculation of the number of loans with credit insurance versus the total number of loans is needed. Generally speaking a modest penetration goal would be 40% for credit life and 20% for disability. A more aggressive goal would be 65% for credit life and 35% for disability.

### II. Premium to Loan Volume (PLV) Ratio Method

This is the ratio of Net Written Premium (NWP) to the New Consumer Loan Volume (NCLV). The NCLV would include renewals but exclude indirect loans. It typically includes consumer loans of \$35,000 and below and will exclude Real Estate Loans.

This method provides for a more equitable evaluation of performance, since it is based upon the officer's NCLV. Our experience suggests how the following ratios would be typical of Texas Community Banks.

PLV Ratio

1½% - 2%



# QUESTIONS & ANSWERS

## **Q1: What is a Payment Protection Plan?**

**A1:** A Payment Protection Plan is Credit Life and Credit Disability insurance that can be purchased to protect your borrower's loan balance. **Credit Life:** If your borrower dies during the insured period, his/her loan balance will be reduced or paid in full. **Credit Disability:** If your borrower becomes totally disabled as a result of a covered sickness or injury during the term of coverage and cannot work for more than the waiting period stated in the policy/certificate, his/her monthly payments will be covered for the period of total disability.

## **Q2: Who is eligible for this plan?**

**A2:** Any borrower who is working for wages or profit for thirty (30) hours a week or more on the effective date of coverage, who has not reached his/her sixty-sixth (66<sup>th</sup>) birthday, and who has read, answered, and signed the health statement.

## **Q3: Can joint coverage be written?**

**A3:** Yes, joint coverage can be written. Examples: husband/wife, business partners, etc., and such persons must be jointly and severally liable for repayment of the indebtedness and be joint signers on the policy/certificate. Only one benefit will be paid if both insureds die simultaneously or if both insureds are disabled. **ALL COVERAGE HELD JOINTLY TERMINATES UPON THE DEATH OF EITHER INSURED.**

## **Q4: Can a Payment Protection Plan be obtained at any time during the term of the indebtedness?**

**A4:** No, it can only be obtained at the onset of the indebtedness.

## **Q5: Is this protection good anywhere?**

**A5:** Credit Life is effective throughout the world regardless of place of death. Credit Disability insurance is good only in the United States.



# QUESTIONS & ANSWERS

**Q6: If the borrower has other life and disability insurance, will it affect the Payment Protection Plan?**

**A6:** No. The Payment Protection Plan is designed to protect the borrower's specific time obligations and to help pay his/her monthly payments, regardless of any benefits he/she may receive from other insurance policies.

**Q7: Will the borrower be covered while in the military services?**

**A7:** Yes, except in the case of war and certain military exclusions.

**Q8: If the borrower misses several payments and then becomes disabled or dies, is the entire debt paid off?**

**A8:** No, the insurance coverage decreases as if he/she had met his/her payments on time. It covers the gross amount due less any delinquent balance past thirty (30) days.

**Q9: Are there any occupational restrictions on Credit Life?**

**A9:** No. Even workers in hazardous jobs are fully covered. This is an advantage, since most life policies do not cover such conditions.

**Q10: What is the purpose of Credit Disability Insurance in connection with Credit Life Insurance?**

**A10:** Credit Disability Insurance is designed to supplement the borrower's income in the event of total disability. A monthly payment will be made for the amount due each month of disability up to the maximum amount.

**Q11: In case of permanent disability, does the Credit Disability complete the payments of the indebtedness?**

**A11:** Yes, provided payments are up-to-date at the time disability is incurred. (See policy/certificate for details.)



# QUESTIONS & ANSWERS

**Q12: Are there any occupational restrictions on Credit Disability?**

**A12:** No.

**Q13: Who determines whether or not the borrower is able to work?**

**A13:** His/Her attending physician

**Q14: Does the borrower have to be hospitalized to be eligible for benefits?**

**A14:** He/She does not have to be confined to bed, home, or hospital. He/She needs only to be under the care of a physician and unable to work as defined in the policy/certificate.

**Q15: Is there a limit as to the number of times the borrower may be disabled?**

**A15:** No, as long as each disability is covered under the terms of the policy/certificate.

**Q16: Is there any type of disability not covered?**

**A16:** Yes. The following disabilities are examples of items not covered. Please read the exclusion section of your policy/certificate titled – “What We Will Not Pay” for complete details.

- Pre-existing Condition – 6&6 Provision
- Intentionally self-inflicted injury
- War, declared or undeclared / military service
- Flight in non-scheduled aircraft
- Elective abortion
- Normal pregnancy
- Foreign travel or residence

**The purpose of the FAQ Section is to give the Agent a general overview of FAQ. See Insurance Policy/Certificate for details. For Agent use only.**



# SELLING STRATEGIES

## SELLING STRATEGIES

There are three (3) key elements to selling products/services successfully.

- Belief that product is good and appropriate
- Basic product knowledge
- Preparation/Planned presentation

# THANK YOU...

...FOR THE OPPORTUNITY TO BECOME YOUR  
**CREDIT INSURANCE RESOURCE**



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