

# Insurance and Debt Protection



## CU\*BASE Calculations for Insurance and Debt Protection

CU\*BASE provides a wide variety of Loan Insurance and Debt Protection calculation methods. The insurance or debt protection products your credit union offers will determine how CU\*BASE configuration parameters are defined. Because of the configuration design, CU\*BASE can support multiple vendors and multiple calculations to round out your offering.

### Insurance

Although our clients use a variety of insurance providers, CU\*BASE is certified by CUNA Mutual for Loan Amortization and Payment Protection posting. Typically, most other vendors fully support CUNA Mutual's calculation methods. These include:

- ➔ Single Premium Disability and Life
- ➔ Level Rate Disability and Life
- ➔ Monthly Renewable Disability
- ➔ Age-Rated Life

Single Premium Life calculations can be based on either Net or Gross Indebtedness. There also are certain balloon loan calculations that CU\*BASE may not support.

### Debt Protection

Debt Protection (sometimes called Debt Cancellation) is a credit union loan product, not an insurance product. While providing many of the benefits offered by loan insurance such as life and disability, Debt Protection has greater flexibility in coverage, including unemployment, divorce, diagnosis of a terminal illness, continuance of coverage after the loan maker is over age (via "blended" coverage), etc. Regulation of the product is performed by the NCUA for federally-chartered credit unions and by the equivalent state agency for state-chartered credit unions. Unlike credit insurance, minimal regulations exist currently for product pricing, fee calculation method, and product configuration.

CU\*BASE Debt Protection has been configured to work with CUNA's product (called CU CHOICE Lending Protection "CUCLP") and mimics level rate calculation methods.

Take a few moments to review the charts below for a more detailed look at the CU\*BASE coverage calculations.

**CU\*Answers...**  
*Guaranteeing the  
Difference!*

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## Available CU\*BASE Calculations

The following information is a summary of calculations currently supported by CU\*BASE. Although we are certified by CUNA Mutual, vendors such as Securian (Minnesota Life), Madison National, CRI, Life Investors and others are supported by CU\*BASE as well.

**Please keep in mind, ALL calculations are subject to testing with each coverage provider and can vary by state.** We recommend you contact Barb Cooper, [bcooper@cuanswers.com](mailto:bcooper@cuanswers.com) or 800-327-3478 x113, before selecting new coverages or vendors.

### Disability Calculations

| Premium/Calc      | Description                       | Frequency                      | Comments   |
|-------------------|-----------------------------------|--------------------------------|--|
| Level Rate        | One rate per \$1,000 loan balance | Monthly                        | Max Monthly Benefit <u>not</u> used in calculation |
| Level Rate        | One rate per \$1,000 loan balance | Monthly                        | Max Monthly Benefit <u>is</u> used in calculation  |
| Monthly Renewable | Based on a table of 120 rates     | Monthly                        |  |
| Single Premium    | Based on a table of 120 rates     | Added to loan balance up front | Member could also elect to pay directly            |

### Life Calculations

| Premium/Calc                        | Description   | Frequency                                       | Comments                                      |
|-------------------------------------|---|---|---|
| Level Rate                          | One rate per \$1,000 loan balance   | Monthly   |   |
| Age Rated                           | One rate per \$1,000 loan balance   | Monthly   | Different Insurance Codes based on age ranges |
| Single Premium (Calc 1)*            | One rate per \$1,000 loan balance   | Added to loan balance up front                  | Member could also elect to pay directly       |
| Single Premium (Calc 2)*            | In programming development  | Added to loan balance up front                  | Member could also elect to pay directly       |
| Single Premium (Calc 3)*            | In programming development  | Added to loan balance up front                  | Member could also elect to pay directly       |
| Single Premium (Gross Indebtedness) | Calc on total payments not principal balance  | Added to loan balance up front                  | Member could also elect to pay directly       |
| Single Premium Rebate Amounts       | Determines amount of refund if loan pays off early  | Calculated monthly retained on each member loan | Rule of 78 Calculation                        |
| Single Premium Balloon Loans        | CUNA uses one rate and gives the choice to cover the balloon or not. Other vendors can use 2 rates: Decreasing Term for the amortized term of the loan and Level Life for the balloon amount. CU*BASE DOES NOT SUPPORT TWO (2) RATES ON ONE (1) BALLOON LOAN. |   |   |

\*Calculations 1, 2 & 3 are determined by the State. Each calculation can include an Adjustment Factor, also determined by State.

### Debt Protection Plan Calculations\*

| Premium/Calc                | Description                       | Frequency | Comments   |
|-----------------------------|-----------------------------------|-----------|--|
| Level Rate-Single           | One rate per \$1,000 loan balance | Monthly   |  |
| Level Rate-Joint            | One rate per \$1,000 loan balance | Monthly   | Joint rate to single rate, then no coverage based on age |
| Level Rate-Co-Borrower only | One rate per \$1,000 loan balance | Monthly   |  |
| Level Rate-Blended          | One rate per \$1,000 loan balance | Monthly   | ALL borrowers reach maximum age.                         |

\*Securian (formerly Minnesota Life) supports CUNA Mutual's specifications for Debt Protection.

# Responding to Changes

CU\*Answers is well aware that the loan insurance marketplace changes frequently and that each state's regulators can introduce new calculations. Therefore, we are proactive in responding to changes in the insurance marketplace such as with Debt Protection and Miscellaneous Coverages (Mechanical Breakdown and GAP). Here is our standard process:

## Step 1

A change to loan insurance/debt protection rates and parameters is submitted to CU\*Answers by either the credit union or by the vendor.

## Step 2

If this is a new vendor, it is determined whether covered loans with the old vendor should come over with the existing rates or, be updated with the new rates and parameters. The answer to this question determines if a new loan insurance/debt protection code is necessary.



## Step 3

**Existing Clients** - If the new rates/parameters conform to existing programming specifications, generally no testing is done. If the vendor sends sample loan test scenarios to the credit union, temporary loan requests can be created in CU\*BASE for verification.

**New Clients** - A test run on all insurance rates/parameters is completed and compared to results from your last posting or directly with the insurance vendor.

## Step 4

If the test results do not conform to the vendor's specifications, many vendors will accept CU\*Answers' calculations if the results are within their tolerance levels.

## Step 5

If a new calculation is necessary, it may be subject to a custom quote.

# Postings

Because of the flexible design of CU\*BASE insurance configurations, it is possible to have multiple vendors and calculations so your payment protection offerings can meet your members' needs.

These calculations are supported in both the loan amortization and premium posting. Generally for online credit unions with monthly premium calculations, the posting is processed on the first of the month in arrears. A full set of reports is provided.

Any other processes needed are based on a custom quote and have potential ongoing processing fees. For more information, please contact Barb Cooper, [bcooper@cuanswers.com](mailto:bcooper@cuanswers.com) or 800-327-3478 x113.



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