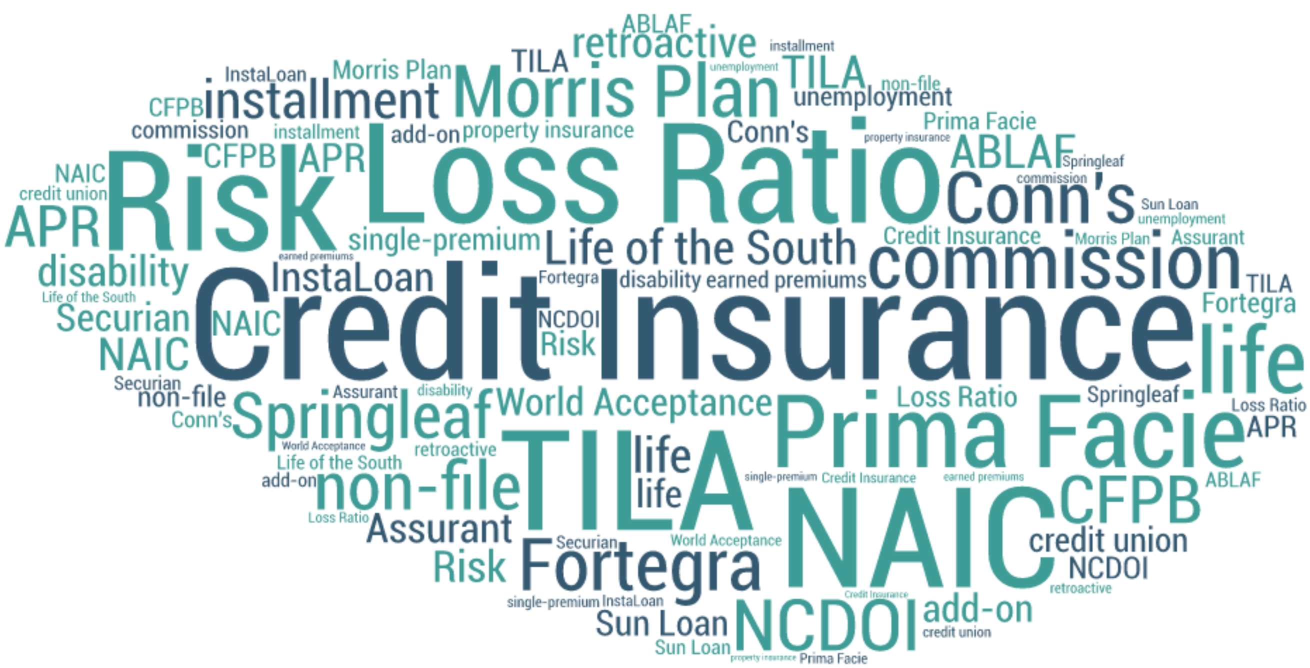
THE RATE DOES NOT REFLECT THE RISK



A Report on the High Cost of Credit Insurance

Sold with Consumer Installment Loans

ADAM RUST

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Summary of Findings

There are low rates of benefits relative to premium costs.

In the period from 2004 to 2013, credit life insurance policies paid benefits with a value equal to only 44.4 percent of earned premiums. For credit accident and health policies, the value returned was even less (42.4 percent). By contrast, benefits for payouts on individual health policies purchased as a part of a group plan were equivalent to 84.1 percent of earned premium payments.

This is an important topic for advocacy because the product is widely used in connection with consumer installment loans.

Credit insurance, while a relatively unknown product in most circles, is used by many consumers. In North Carolina alone, borrowers of loans regulated by the Consumer Finance Act purchased 623,545 credit insurance policies in 2015. In doing so, they paid $58.5 million in premiums. On average, 1.53 polices were sold for every loan origination. In 2014, US consumers paid approximately $733 million for credit life insurance premiums and $838 million for credit accident and health insurance premiums.

The size of commissions paid by insurers to lenders undermines the product's value proposition for consumers.

Insurers agree to pay lenders high commissions in exchange for the right to be the exclusive retail vendor of insurance contracts. While the practice of paying commissions is common throughout the insurance field, the relative cost is far higher with credit insurance. In some instances, insurers expense more for commissions than they do for claims payouts.

Credit insurance products can fulfill a need for low-wealth households that, because of a particular event, might otherwise be unable to make payments on a debt. Credit insurance products exist to cover a variety of incidents that could then make it difficult for a borrower to continue to make payments on their outstanding debts.

But, in practice, certain credit insurance products, and particularly those sold in connection with consumer installment loans, are often a poor choice for consumers. Usually there is only one product to choose from at the retail point-of-sale. Most importantly, the commissions paid by insurers to their lender partners inflate the cost of premiums.

This paper discusses credit insurance sold in conjunction with installment loans that have been originated by non-bank lenders. It covers credit life, credit disability, credit accident and health, and credit involuntary unemployment policies.

Following a brief overview of the credit insurance industry, it compares the value of benefits in the context of the cost of its associated premiums. This paper will describe the current regulatory environment nationally and in North Carolina and then conclude by providing a set of policy proposals that would enhance consumer protections and better align premium costs to benefits.

The data used in this paper comes from four sources: the Securities and Exchange Commission (the "SEC"), the National Association of Insurance Commissioners (the "NAIC"), the North Carolina Department of Insurance (the "NC DOI"), and the North Carolina Commissioner of Banks (the "NC-COB").

How Does Credit Insurance Work?

Credit insurance protects a lender when specific events that would prevent a borrower from repaying his or her loan occur. Borrowers can purchase a credit insurance policy upfront with a single payment or they can finance the cost of the premium.

Claims can pay all of the outstanding debt or cover payments during a finite period. With credit accident & health or with involuntary unemployment insurance ("IUI"), consumers who have a covered event must wait before they can file a claim. Longer waiting periods reduce claims experiences because, in many cases, borrowers can find new employment or can recover from their injuries before the waiting period ends. Accordingly, policies with longer waiting periods have lower premiums, all else being equal.

Even though the lender is the ultimate beneficiary, with some exceptions, the borrower pays the cost of the premium. There are exceptions, however. Credit unions have been known to make credit insurance available to their members for free, but otherwise, borrowers tend to be the ones who pay to protect lenders from the risk of default.

According to the Society of Actuaries, "[a] single premium credit involuntary unemployment insurance product is typically sold by consumer finance companies, where loan size has been historically small (about $2,000) and whose average loan terms are relatively short (about 18 months)."[1]

1 Society of Actuaries, Credit Insurance Experience Committee. "A Credit Disability Insurance and Credit Involuntary Unemployment Insurance Claim Termination Study." December 2012.

The same terms are usually the case with the issuance of other credit insurances, except for credit accident & health, where

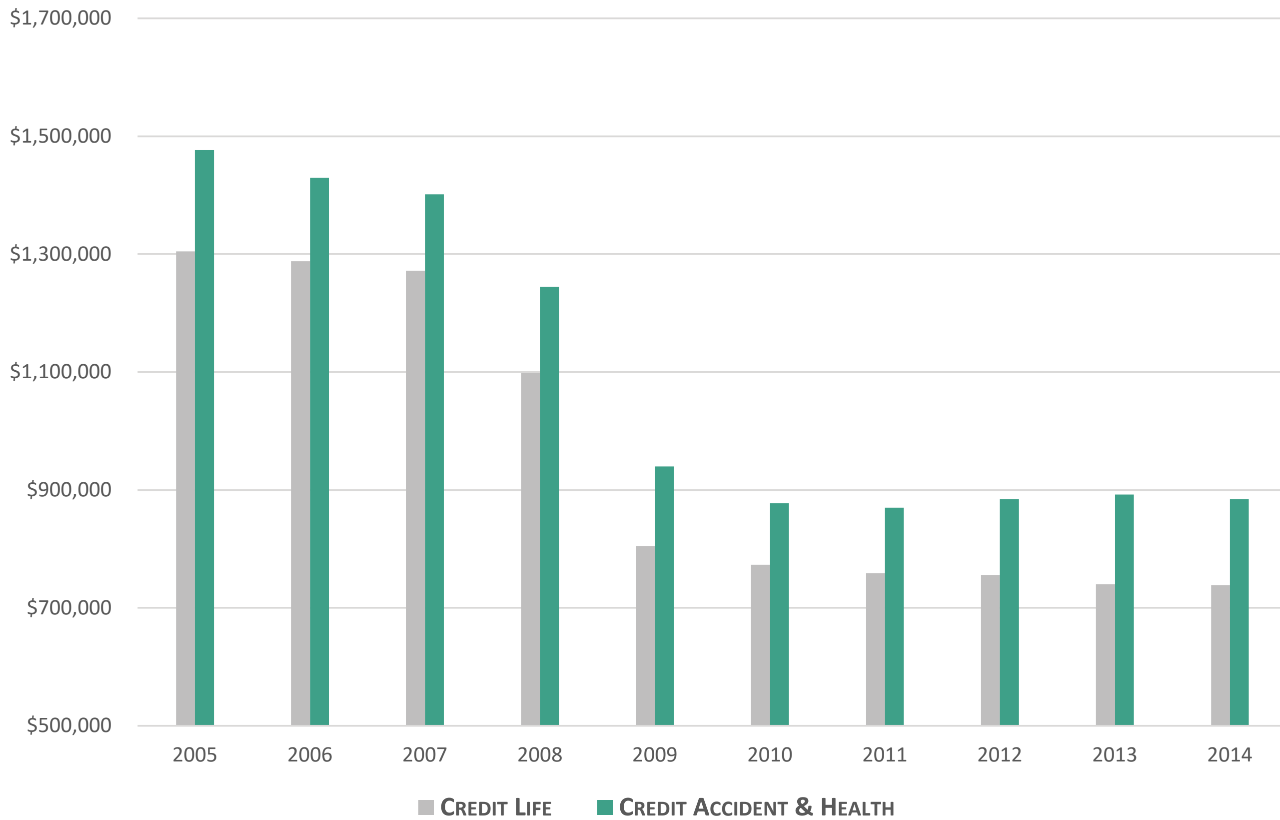
Generally speaking, consumers will get more value from a policy they purchase through a credit union than one purchased in connection to a loan made by a consumer installment lender.

credit unions sell the majority of policies. Often, they provide credit insurance to members in tandem with their auto and home equity loan products, both of which tend to have longer loan terms and higher loan amounts.

Industry Scope

Consumers spend more on credit insurance than they do on many better-known non-bank alternative financial services. While credit insurance is rarely a focus of dialogue among those who advocate for better financial services for lower-income

TABLE ONE:
EARNED PREMIUMS, CREDIT LIFE AND CREDIT A & H
2005-2014 ($000s)



consumers, premium revenues amount to several billion dollars every year.

The Center for Financial Services Innovation's 2013 Market Size Report identified spending for the following categories:[2]

- Money orders: $400 million
- Tax refund checks: $800 million
- Secured credit cards: $1 billion
- Check cashing: $1.9 billion
- GPR prepaid cards: $2.5 billion
- Remittances: $3.4 billion
- Car title loans: $5 billion

Credit insurance revenues exceed all but a few of those markets. In comparison, in 2014, net written premiums for credit life insurance totaled $738.8 million, and premiums for credit accident and health in-

2 CFSI. 2013 Financially Underserved Market Size Report. published December 2014. http://www.cfsinnovation.com/Document-Library/2013-Financially-Underserved-Market-Size

surance totaled $884.6 million.[3] The NAIC does not supply aggregated premium revenue data on credit IUI on an annual basis. Insurers sell millions of credit insurance policies for a combined value of several billion dollars every year.

Chart One also shows how overall the sum of policies written for credit life and credit accident & health insurance have declined since 2005, but remained relatively constant since 2010. The General Accounting Office ("GAO") drew a connection between the proliferation of debt protection products and the demand for credit insurance. Consumers purchased debt protection to protect the balances on their credit card accounts.[4]

When the availability of non-prime credit shrunk in the wake of the 2009 financial crisis, the use of credit insurance policies followed suit.

Table One shows the number of policies sold and average premium amount for credit insurance policies sold in North Carolina in 2013. This data is only for loans regulated under the state's Consumer Finance Act.[5] Since then, the volume of written policies has declined. With the

3 National Association of Insurance Commissioners, "Credit Life Insurance and Credit Accident & Health Insurance Experience, 2010-2014."

4 GAO, "Consumer Costs for Debt Protection Products Can Be Substantial Relative to Benefits but Are Not a Focus of Regulatory Oversight." March 2011. http://www.gao.gov/new.items/d11311.pdf

5 North Carolina's Consumer Finance Act regulates certain installment loans if they are issued for periods of between 6 months to 8 years, and for loans amounts from between $1,000 to $15,000. Depending on loan size, maximum rates are either 15, 18, 30 or 36 percent. As a condition of the CFA's legislative rules, the North Carolina COBs issues a report on regulated loans every year.

Table One: North Carolina Credit Insurance: Consumer installment loans FY 2013 [1]

Policy Type	#	sum	average fee
Credit Life	425,175	$23,021,792	$54.15
Credit A & H	239,697	$38,477,614	$160.53
Credit IUI	176,091	$33,767,801	$191.76
Credit Property	360,096	$22,704,518	$63.05

1 Source: NC Commissioner of Banks, FY 2013*Multiple Policy Classes **different for non-bank insurers ***No absolute loss ratio minimum; companies can petition for variance ****

exception of credit property policies, the absolute number of written credit insurance contracts declined by 25.6 percent between 2013 and 2015.[6]

While these numbers include only a subset of all credit insurance policies, they are valuable for this paper because they capture policies sold with consumer installment loans – and only with consumer installment loans.

In 2014, insurers wrote more than $117 million in credit insurance policies for CFA-regulated loans in NC. To put that sum in perspective, consider that $117 million is nearly the sum of taxable revenues recorded by pawn shops ($142.2 million).[7]

Future demand is hard to predict. Given that most indications suggest that lenders are once again offering loans to non-prime borrowers, the market could recover. Some would point to employment as a predictor of IUI policy issuance.[8][9] Nationally, the portion of job seekers who are unable to find a job, a rate which increased in the wake of the financial crisis, is once again nearing "full employment". But in the last several years, there has been a gradual decline in all types of written policies and particularly for credit accident and health coverages.[10]

Once implemented, the CFPB's new rules on short-term, small-dollar loans may have an impact as well. The new framework will likely mean that short-term lenders will move away from single-payment balloon loans ("payday loans") and then shift their models to originating more installment loans. Already many have given the indication of their intent to do so.

6 North Carolina Commissioner of Banks. Consumer Finance Act Annual Reports for 2013 and 2015.

7 North Carolina Department of Revenue. State Sales and Use Tax Reports by Fiscal Year, Gross Collections and Taxable Sales by Types of Business for Fiscal Year 2014-5. http://www.dor.state.nc.us/publications/fiscalyearsales.html

8 Haltenhof, Samuel, Seung Jung Lee, and Viktors Stebunovs. "The Credit Crunch and Fall in Employment during the Great Recession." 2014. Finance and Economics Discussion Series, Division of Research and Statistics and Monetary Affairs, Federal Reserve Board. Washington, DC.

9 The number of IUI policies sold in NC increased by 48.9 percent between 2009 and 2014.

10 Ibid, North Carolina Commissioner of Banks.

Paying More To Borrow

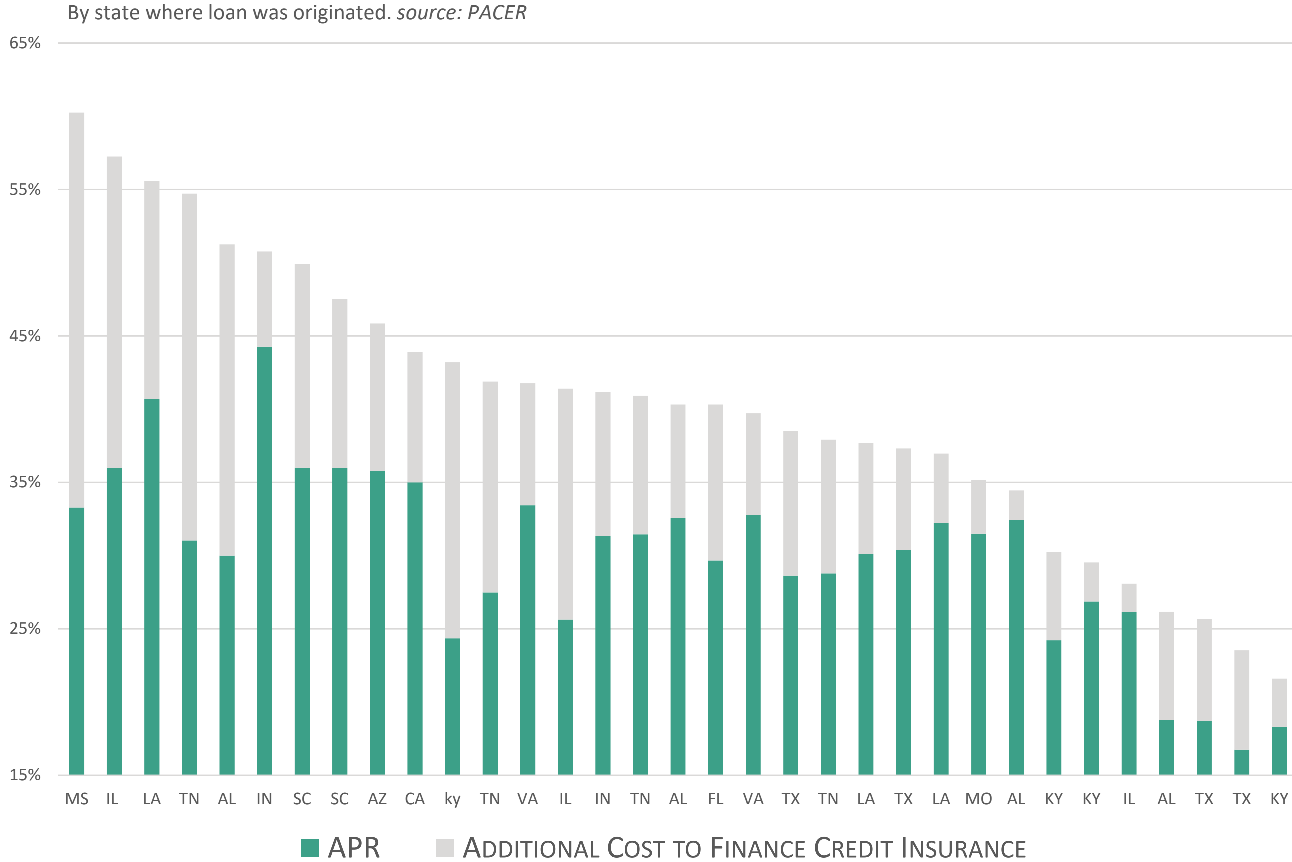
When consumers finance the purchase of a single-premium credit insurance policy, it raises their payments. Given that many installment lenders make loans with interest rates that come very close to state-mandated interest rate caps, the additional cost of financing insurance may mean that the combined cost of borrowing and insuring results in a debt service level that is above the relevant state usury threshold. Chart Two illustrates how much the debt service increased when borrowers also financed the cost of credit insurance. These numbers reflect real contracts.

To further illustrate how the cost of borrowing can increase, Appendix Six provides copies of personal loan contracts. With each, the borrowers chose to finance the cost of their insurances.

A $6,124 loan made by Springleaf to a South Carolina borrower illustrates the

Chart Two:
Additional Cost of Credit, Factoring for Credit Insurance

By state where loan was originated. *source: PACER*



impact of add-on fees to the cost of financing. The consumer purchased a credit life policy for $255, a credit IUI policy for $512, and a credit disability policy for $356. Without those policies, the loan would have been $5,124. If the cost of credit insurance was added as a financing cost, then the loan's interest rate would increase from 36 percent to 49.9 percent.

Lenders realize three benefits: they can originate issue a larger loan, they receive a commission from the insurer, and their default risk shrinks.[11] The last reason underscores why we believe that "add-on" credit insurance fees should be factored into estimates of borrowing cost.

Loss Ratio Analysis Reveals The Low Value of Policies

The cost of credit insurance is much greater than the claims recouped. We recognize that insurers must collect more in premiums than they pay out in claims to remain solvent. But when compared to the sum of claims paid, credit insurance pays out much less than other types of policies. While claims on health or auto insurance usually exceed more than sixty percent of earned premiums, the claims on credit insurance policies are often less than half of premium charges.

Policymakers use the term "loss ratio" to describe the sum of payouts as a share of earned premium revenues. Two factors go into calculating a loss ratio: claims and earned premiums. The formula is:

Loss Ratio =
Claims experience /
Net earned premiums

When does a loss ratio fall to a point where it does not deliver a fair value? Policymakers have thought about this question for decades. In 1959, the NAIC adopted a resolution to recommend to all insurance commissioners "that a rate for Credit Life or Credit Accident and Health, producing a loss ratio under 50 percent, should be considered excessive."[12] Later, a similar

11 (2011) North Carolina Commissioner of Banks: "credit insurance…provides indirect benefits to consumer finance companies." At http://www.nccob.gov/Public/docs/Financial%20Institutions/Consumer%20Finance/NCCOBReport_Web.pdf

12 NAIC 1960 Proceedings

working group affirmed that calculation in 1966.[13]

In 1994, the NAIC created a Model Regulation for credit insurance. The Model Regulation expressed a more stringent standard. The NAIC said loss ratios should be at least sixty percent.[14] The NAIC's 2001 Consumer Credit Insurance Model Act, did not change the standard.[15] In 2009, the language in the new Model Regulation affirmed the same loss ratio standard.[16]

In doing so, the NAIC established the premise that a loss ratio was a fair metric to define fairness. In our opinion, the NAIC's approach established a precedent that regulators could use a loss ratio as a tool of regulatory oversight.

The marketplace has not met the NAIC's standard. During the ten-year period ending in 2013, loss ratios averaged 44.4 percent for credit life and 42.4 percent for credit accident and health insurance nationwide.[17]

Appendix One reveals the average loss ratio for leading credit insurance companies over the five-year period from 2009 to 2013. It includes ratios for the United States as a whole and also for North Carolina specifically.

The NCCOB Consumer Finance Act reports (discussed earlier) reported that loss ratios for credit unemployment insurance were 28.4 percent in 2012 and 25.0 percent in 2013.[18] Thus, North Carolina results are informative. They add clarity on how the type of loan may correspond to value.

The NAIC published loss ratios for the insurance companies with the largest market share (top 25) across 30 different segments of property and casualty insurance. The results reflected results across the period from 1985 to 2009. Across all lines of property and casualty insurance, the average loss ratio was 60.3 percent in 2009, was as high as 80.1 percent in 1995, and as low as

13 NAIC 1966 Proceedings

14 NAIC Credit Life Insurance and Credit Accident and Health Insurance Model Regulation Section 5A. http://www.naic.org/store/free/MDL-370.pdf

15 http://www.naic.org/store/free/MDL-360.pdf

16 http://www.naic.org/store/free/MDL-365.pdf

17 http://www.naic.org/documents/prod_serv_statistical_cre_zb.pdf

18 http://www.ncdoi.com/act/ACT_CPS.aspx

52.0 percent in 2006.[19]

Appendix Two compares credit life and credit accident & health insurance loss ratios with those for medical and property/casualty insurances. These numbers are given in the aggregate. This data shows that the the cost of credit insurance does not cover risk on a dollar-for-dollar basis in a way that is equivalent to the record demonstrated by other types of insurance products.

The results for most other insurance products tend to be much higher. Empirically, this tells an important story. When a product records lower loss ratios over the long run, it infers that they provide less protection from risk on a per-dollar basis.

Other cost drivers, such as additional administrative expenses, bear some impact upon supplier costs. All insurers have expenses for overhead, staff, and general administration. But equally, if not more so, commission costs push up the cost of premiums.

Commissions

The most significant factor in increasing costs are the insurance commissions paid by insurers to lenders.

Paying a commission is standard business practice. When non-prime consumer finance lenders offer credit insurance in connection with their loans, they almost always do so in the context of an exclusive relationship with a credit insurer.

In 2011, the Government Accountability Office (the "GAO") concluded that the credit card insurance marketplace is an example of reverse competition.[20] "With credit insurance," the GAO wrote, "the credit card issuer, rather than the consumer, selects the insurance company providing the insurance. The credit card company receives a commission from the insurance company that may be based in part on the

19 National Association of Insurance Commissioners. 2010. "2009 Market Share Reports for the Top 25 Property/Casualty Insurers over 25 Years." http://www.naic.org/documents/prod_serv_statistical_top_pu.pdf

20 The credit card insurance product differs slightly from consumer installment credit insurance. It is not regulated by state insurance commissioners. In some cases, methods for claims payouts differ. Also, lenders may also serve as insurers. This report does acknowledge the fact there is a distinction to be made.

premiums that consumers pay."[21]

The GAO added that the NAIC, the New York State Insurance Department, and three consumer organizations have collectively expressed their belief that "credit card issuers may have an incentive to select insurance companies that charge consumers higher prices for credit insurance in order to earn larger commissions".[22] Industry representatives have contested this opinion.

With its record of low loss ratios, the value of credit insurance deserves to be examined with skepticism. Are these really products that give a net tangible benefit to the consumer?

Pricing for credit insurance has settled at a point where commissions make up a major portion of the expense of premiums. While paying a referral fee is a common form of compensation in other parts of the insurance industry, the unusually high bounty in credit insurance makes this an area of concern. Typically, insurers pay commissions of between five and ten percent of premium amounts. However, in credit insurance policies, commissions can be as high as half of the cost of the premium. The result is a greater expense and less consumer choice. Commission payouts can even exceed the cost of claims.

Chart Three compares expenses commissions paid to retailers, net losses and loss adustment expenses, and net earned premiums in Fortegra's credit insurance division during the years 2009 to 2012.[23] Loss adjustment expenses are administrative costs associated with settling claims. Net losses are the costs, after salvage and recoveries, of claims. Notably, Fortegra also received income from commissions paid by reinsurers for the right to purchase insurance policies from the company.

21 Government Accountability Office. 2011. "Credit Cards: Consumer Costs for Debt Protection Products Can Be Substantial Relative to Benefits but Are Not a Focus of Regulatory Oversight." Report to Congressional Committees.

22 Ibid.

23 In August 2014, Tiptree International purchased Fortegra. Tiptree consolidated Fortegra's lines into its operations. To maintain consistency, the period of analysis is limited to the time before Fortegra's sale.

In an environment where the insurer negotiates with the lender – and not the person paying the premium – consumer expense hardly bears any influence on pricing. The insurer passes the cost of a commission on to the consumer.

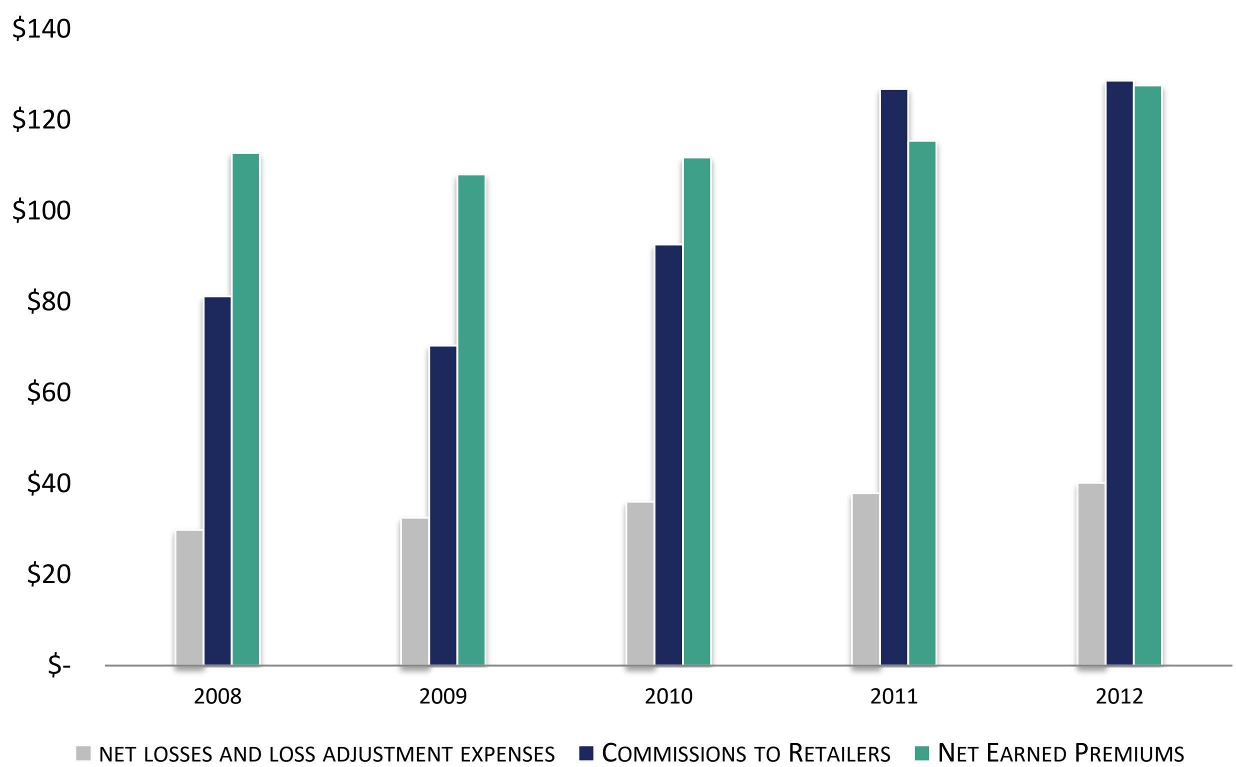
"Credit insurance is typically purchased by the lender and its cost is borne by the borrower," said the authors of a report by the American Academy of Actuaries' Loss Ratio Working Group. "There is little incentive for either the lender or the insurer to limit the price.[24]

While this paper has not researched the question, it may be useful for subsequent work to investigate the relationship between advertised interest rates and credit

24 "American Academy of Actuaries, Loss Ratio Working Group. 1998. "Loss Ratios and Health Coverages." http://www.actuary.org/pdf/health/lossratios.pdf

CHART THREE: HIGH PROFIT MARGIN MODEL WHERE COMMISSIONS ARE HIGHER THAN CLAIMS AT FORTEGRA'S PAYMENT PROTECTION DIVISION

Source: SEC, 2008 through 2012



insurance commissions. Do lenders lower interest rates when commissions are higher, all else being equal? Or, is there an imbalance? If so, does the lender or the consumer benefit?

Appendix Three lists some existing relationships between insurers and lenders.

Potential Values of Credit Insurance

Supporters of credit insurance contend that borrowers derive a great deal of value from their policies. The industry asserts that these products enhance access to credit for those consumers who are traditionally underserved by mainstream credit services.

Their assertions (in italics) include these claims:[25]

- *It protects a consumer's credit rating.*
- *It creates a non-financial peace of mind benefit.*
- *Consumers only purchase the amount of coverage they need.*
- *Buying a policy in a store at the moment when a loan contract is signed is convenient.*
- *Rating factors that may exclude some consumers for other types of insurance do not do so with credit insurance.*

The credit insurance industry strongly rejects the possibility that retail lenders compel consumers to purchase policies under duress. This claim is defensible. By law, consumers can buy the product at their discretion. Lenders are not allowed to make a loan approval contingent upon the purchase of an insurance policy. If a consumer wants to use an alternative policy – perhaps by using their renter's insurance policy instead of buying a new credit property insurance policy – then they can do so provided that they bring documentation at the time of loan origination.

A key assertion of this paper - that loss ratios provide evidence of low consumer value - is rejected by many industry professionals. Those critics assert that the use of loss ratios as a main metric of value skirts important distinctions in the prod-

25 For an example of these views, see "Benefits of Credit Insurance" by Merit Life Insurance Company and Yosemite Insurance Company. https://www.meritlifeinsurance.com/benefits-creditins.html

uct's business model. They contend that it ignores the difficulty in overcoming fixed administrative costs. As a result, they hold that since policy premiums tend to be small, the cost of covering the risk has to be higher to cover those fixed expenses.

The "peace of mind" benefit is also a part of this viewpoint.

In our opinion, this is essentially a decision to attribute commission expense to the cost of administration. This is an argument that consumers should bear the inherent cost of exclusive commission payouts.

The Regulatory Environment

Since 1945, Congress has assigned regulation of insurance to the states, beginning with the McCarran-Ferguson Act. This system gives substantial responsibility to state legislatures for supervision and enforcement, as well as the privilege to enact new legislation. It also means that insurance companies are not able to operate under a consistent regulatory regime, but must instead design their products to comply with rules on a state-by-state basis.[26] Insurance "is unique among the other financial services in that it is regulated by the states," wrote Mark Boozell in a paper published by NAIC in 2009.[27]

Credit insurers receive licensure from states, which review insurers for financial soundness and periodically examine the relationship between the cost of insurance and amount of claims paid.

States are allowed to set limits on insurance pricing.[28] State insurance commissioners routinely set maximum prices,

26 The National Association of Insurance Commissioners and the Center for Insurance Policy and Research. 2011. "State Insurance Regulation." http://www.naic.org/documents/topics_white_paper_hist_ins_reg.pdf

27 Boozell, Mark. 2009. "Future of the Business Disciplines, Regulation and Oversight of the US Insurance Marketplace: The Evolving Arguments around Federalizing Insurance Regulation." A white paper sponsored by the Professional Insurance Agents Insurance Foundation. http://www.naic.org/documents/topics_white_paper_pia.pdf

28 This is a significant power that some important regulators do not have. The Dodd-Frank Act does not give the CFPB the authority to set prices.

usually on a per $1,000 loan amount, for premiums. This ceiling is known as the prima facie rating. The implicit understanding is that competitive pricing, in the context of exclusive relationships between insurers and lenders, will not occur without policy intervention underscores the need for regulation.

Nonetheless, there are some areas where federal regulators can act. Under the Truth-in-Lending Act (implemented through Regulation Z 12 CFR Part 226), the lender must tell the borrower that the purchase of a credit insurance product is voluntary and that any charges are additional and separate from the cost of credit.

How States Regulate Pricing: Prima Facie Ratings

Regulators use a prima facie rate as a default ceiling on premiums. This distinction matters because it sets up a framework where the risk profile of a loan may not influence the regulated price. The absence of risk as a contributor to cost differs from the underwriting methods used for most types of insurances, where it is increasingly common for algorithms to establish a risk-based price from a model with many different independent variables.[29]

Prima facie rates establish price ceilings. This indirect regulatory boundary - and not policy-specific risk - sets market pricing. Most often, states apply the same prima facie rate maximum for all market participants.[30] Because consumer choice does not come into play when insurers negotiate exclusive contracts with lenders, competition does not influence pricing.

There is room for state insurance commissioners to make exceptions to the uniform application of prima facie rates. For exam-

29 The use of complicated algorithms in insurance pricing has its own shortcomings. For example, price optimization layers loan-specific independent varialbes with borrower-specific elasticity-of-demand models to create unique maximum prices for each consumer (up to prima facie maximums). See http://consumerfed.org/insurance

30 American Academy of Actuaries, Loss Ratio Working Group. 1998. "Loss Ratios and Health Coverages." http://www.actuary.org/pdf/health/lossratios.pdf

ple, if an insurer can successfully argue to a state regulator that its previous history of claims payouts justifies a higher premium, then it might be allowed to set premium prices above the standard prima facie rate limit. Naturally, insurers would not appeal a prima facie ceiling after experiencing a history of low loss ratios.

But it does not have to be this way. The ability to raise maximum rates on a case-by-case basis should open the door for regulators to take action in the reverse direction. If a rate can be allowed to go up, then there should also be a precedent for lowering prima facie rates when recent loss ratios suggest that prices are too high. States should reduce the prima facie rates required of a particular insurer in cases where the company has reported unusually low loss ratios in recent years.

A caveat: a yearly update is probably too frequent. Because macroeconomic forces can impact default rates, regulators must strike a balance between consumer cost and insurer solvency.

The North Carolina Way

Beginning in the second half of 2011, North Carolina changed its rules governing the pricing of credit involuntary unemployment insurance. The effect of the change has been to re-orient insurance pricing away from market-wide prima facie rates and toward ratings that are driven by actual loss ratios on an insurer-by-insurer basis. According to staff at NC DOI, North Carolina is the only state to implement this kind of rule for pricing on credit involuntary unemployment insurance.[31]

Before the change, insurers had two choices on how to comply with pricing on credit involuntary unemployment insurance. On the one hand, insurers could demonstrate a loss ratio of 60 percent or more, based upon a rolling average over the three years ending in the prior year of the review. Alternatively, the insurers could opt to charge a rate at or below the maximum prima facie rate.

If an insurer chose to demonstrate com-

31 Interview, April 29, 2016.

pliance through claims experience (loss ratio), then they were required to submit evidence of that record. If they opted for the prima facie route, then empirical evidence was not necessary. It would be the rare exception when an insurer rejected the option to price under the prima facie approach. All insurers were reporting loss ratios below 60 percent, an outcome which suggests it was much more profitable to use the prima facie rate option. It was not uncommon for insurers to report IUI loss ratios below 30 percent.

The language used to write the change, which did not have to go through the legislative process, was very narrow. The NCGA revised a section from NCAC 16.0501(b) to state: "The premium rates charged for credit unemployment insurance shall be reasonable in relation to the benefits provided as indicated by a minimum annual incurred loss ratio of 60 percent".[32]

If an insurer reported a low loss ratio over the previous three-year period, then the agency could set the future prima facie rate for that company to a level that would have produced the desired minimum loss ratio during the prior three-year period.

The logic is defensible: If claims are low, then premiums should follow suit. If claims are high, then there is a legitimate basis for premiums to increase. The rate should reflect the risk – not the commission expense.

The new approach has forced many insurers to lower involuntary unemployment insurance premium prices. It has already saved consumers millions – probably an amount close to $2 million annually.

It will take additional time to fully understand 11 NCAC 16.0501(b)'s ultimate impact. So far, the new rule has been in place during a period when unemployment rates and layoffs were in decline. We do not know how the model might perform at a time when unemployment is higher.

Conclusion: Action Steps for Policy Reform

We believe that credit insurance can benefit some consumers, but it will require intervention to make meaningful change.

32 11 NCAC 16.0501 Minimum Incurred Loss Ratio

While state insurance commissions do have rules in place, the low loss ratios imply that more enforcement is needed. The market has given enough evidence to support the conclusion that private industry will not reform itself on its own.

At the moment, the system accommodates exclusive contracts and pricing that makes generous commissions possible. It is standard practice for insurers to set rates at the maximum price allowed by regulation.

Regulators need to place more attention on credit insurance. State insurance commissions have the power to change the market for the better.

Some necessary steps to improve consumer experience include:

Establish higher minimum loss ratios by linking future prima facie rates to recent loss ratios. The goal of setting prima facie rates should be to bring the market to a point where loss ratios re-set near a minimum of sixty percent.

Policymakers should seek to thwart factors that lead to reverse competition. Lenders should not receive kickbacks from insurers if loan performance is better than expected.

Establish a maximum commission rate that is fair and reasonable.

Enhance consumer choice.
Regulators should intervene to separate the moment of origination from the issuance of a new policy. There should be at least a 72-hour waiting period beginning after loan origination, before insurers can attach a new policy to a loan.[33] Because it would encourage consumers to comparison shop, this practice would enhance competition by returning the pricing signal to the marketplace.

Ban exclusive contracts between lenders and insurers. If not, then states should at least establish a higher loss ratio standard when determining future prima facie ratings for insurers that pay commissions.

Claims benefits should satisfy the debt on both the principal and the interest due.

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33 An alternative would be to give borrowers a period of time when they can rescind their insurance contract and then receive a full refund.

The industry contends that the rate follows the risk, but we believe that this claim is not true. The rate does not follow the risk. The rate is usually more than what it should cost to cover the risk.

To review, we support the idea of credit insurance in principle. Credit insurance can be a useful product to cover a need. However, in practice the the expense to consumers of credit insurance is high compared to its benefit. The market is not pricing risk correctly. Due to the way that exclusive contracts influence pricing, we doubt that competition will restore fairness in the marketplace. State insurance commissioners should re-double their efforts on regulating this sector. They should review recent loss ratios on a company-by-company basis to reset pricing to points that are consistent with demonstrated claims experience.

It is our hope that with the right policy reforms, credit insurance can remain available to consumers, continue to provide protection from certain risks, but at a cost that is re-calibrated to an appropriate level given the risk.

APPENDIX ONE:
LOSS RATIOS: CREDIT ACCIDENT & HEALTH INSURANCE, 2009 TO 2013

Insurance Company	Parent	5-year Loss Ratio*	NC**, 2014
CMFG Life Ins. Co.	CUNA	50.8	53.3
American Health & Life Insurance.	Citi	61.2	35.6
American Bankers Life Assur. of FL	Assurant	26.2	131.8
Minnesota Life Insurance Co.	Securian	43.3	27.4
Central States Health & Life Omaha	CSO	27.5	52.5
Life Of The South Insurance Co.	Fortegra	22.0	17.4
Transamerica Life Insurance Co.	Aegon	45.6	53.8
Pavonia Life Insurance Co. of MI	Enstar	35.0	94.2
Merit Life Insurance Co.	Springleaf	49.8	32.0
American National Insurance Co.	private	40.0	93.6
Total, All Companies, 2009-13		41.9	39.9

Source: *National Association of Insurance Commissioners and **North Carolina Commissioner of Banks.

($000s)

Appendix Two:

Historical Loss Ratios for different insurance products, United States, 2004 to 2013

YEAR	Credit		Health			Other	
	Life	A/H	Individual & Group	Business	Individual	Property & Casualty[5]	Medicare Supplement
2004	43.3	47.0				73.0	77.2
2005	41.5	40.4				74.7	78.6
2006	43.2	39.2				65.5	78.0
2007	42.7	36.8				68.1	79.6
2008	45.3	40.3				77.4	79.4
2009	45.1	43.4	84.7	84.4	85.7	72.4	79.6
2010	47.6	45.2	83.9	83.1	85.7	73.7	78.6
2011	48.5	41.8	83.1	83.2	84.8	79.5	79.8
2012	45.7	41.2	84.4	83.4	86.1	74.4	77.5
2013	47.7	36.7	84.4	83.0	86.4	67.1	76.2
AVG.	44.4	42.4	84.1	83.2	85.8	72.6	78.5

Source: NAIC Credit Life Insurance and Credit Accident & Health Insurance Experience

Appendix Three: Relationships between Popular Consumer Finance Lenders and Credit Insurers

Lender	Insurer	Loss Ratio		Parent
		A & H	Life	
Springleaf	Yosemite/Merit	50.7	59.3	OneMain
Sun Loan				
World	Life of the South	20.1	43.3	Fortegra
InstaLoan				
Conn's	American Banker's (FL)	23.8	46.1	Assurant
Tower Loans	Amer. Fed. Life	25.7	38.4	Tower
Regional Finance				
Personal Finance	Minnesota Life	41.4	54.2	Securian
Security Finance				
Some Independents	Central States	27.1	31.3	CSO

Loss ratio for the 5 years, 2010-4. National Association of Insurance Commissioners, Credit Life Insurance and Credit Accident & Health Experience Report, 2010-2014. (2015)

Appendix Four: Loss Ratios for Top Ten Writers of Credit Life Insurance, US 2009 to 2013; North Carolina 2013

Insurance Company	Parent	2009-13 US Loss ratio	2013 NC Loss Ratio
CMFG Life Insurance Co.	CUNA	53.5	68.9
American Bankers Life Assurance	Assurant	47.0	48.3
American H& L Insurance Co.[1]	Citi	61.2	52.6
Central States H & L Co	CSO	32.8	27.8
Minnesota Life Insurance Co.	Securian	52.5	55.2
Pavonia Life Insurance Co.	Enstar	83.2	87.6
Life Of The South	Fortegra	40.2	52.1
American Natl Insurance Co.	private	30.8	26.3
Transamerica Life Insurance	Aegon	43.7	52.3
Protective Life Insurance Co.	Protective	34.0	35.8
All Companies, 2009 to 2013		46.55	56.1

Source: National Association of Insurance Commissioners. All dollars in thousands.

Appendix Five: Example Contracts Demonstrate Real-world Cost of Credit Insurance

State	loan amount	loan amount without ci	sum of CI	TILA APR	APR with CI
MS	$1,667	$1,494	$173	33.3%	60.2%
IL	$10,800	$8,000	$2,800	36.0%	57.2%
LA	$1,863	$1,685	$179	40.7%	55.6%
TN	$2,702	$2,313	$389	31.0%	54.7%
AL	$2,004	$1,870	$134	30.0%	51.2%
IN	$1,268	$1,235	$33	44.3%	50.8%
SC	$6,124	$5,001	$1,123	36.0%	49.9%
SC	$2,212	$2,000	$212	36.0%	47.5%
AZ	$4,577	$4,000	$577	35.8%	45.8%
CA	$4,235	$3,800	$435	35.0%	43.9%
ky	$9,184	$7,245	$1,939	24.4%	43.2%
TN	$6,833	$5,820	$1,013	27.5%	41.9%
VA	$3,337	$3,012	$325	33.4%	41.8%
IL	$10,444	$8,151	$2,293	25.6%	41.4%
IN	$4,164	$3,716	$448	31.3%	41.2%
TN	$3,636	$3,338	$297	31.4%	40.9%
AL	$3,458	$3,183	$275	32.6%	40.3%
FL	$2,476	$2,249	$227	29.7%	40.3%
VA	$6,591	$6,045	$546	32.8%	39.7%
TX	$6,419	$5,500	$919	28.6%	38.5%
TN	$4,267	$3,961	$306	28.8%	37.9%
LA	$5,961	$5,300	$661	30.1%	37.7%
TX	$4,409	$4,000	$410	30.4%	37.3%
LA	$2,129	$2,005	$125	32.2%	37.0%
MO	$6,140	$5,792	$348	31.5%	35.2%
AL	$5,318	$5,220	$ 98	32.4%	34.4%
KY	$11,006	$9,968	$1,038	24.2%	30.2%
KY	$2,153	$2,102	$51	26.9%	29.5%
IL	$10,324	$10,000	$324	26.1%	28.1%

source: PACER

Appendix Six: Consumer Installment Loan Contracts with Credit Insurance. (Bankruptcy Court Filings)

RETAIL INSTALLMENT CONTRACT

SELLER, FIRST BENEFICIARY, AND NAMED ASSURED

TX

CAI, LP
DBA CONNS

EFFECTIVE DATE OF INSURANCE

0 / /2004 0 Odd Days

Acct. No. APPROVED APP

Salesman

Invoice No. *** C.C.C. ***

SCHEDULE

Full Name of Proposed Insured (Purchaser)	Age	Date of Birth
		[redacted]
Proposed Joint Life Insured (Not Eligible for Disability and/or Credit Involuntary Unemployment) (Co-Purchaser)	Age	Date of Birth
Street Address		
City/State		
Telephone #'s Home		
Second Beneficiary		Group Policy No.

Check Block For Desired Insurance: Level ☐ Reducing ☒ ☐ Joint Life ☐ or Single Life ☒ 14 Day Retroactive Disability ☒ ☐ Property ☒ ☐ Credit Involuntary Unemployment ☒

APPLICATION: I, the Buyer having had the insurance explained, hereby apply for the insurance, set forth above, to the Voyager Life Insurance Company for any Credit Life and/or Credit Disability insurance and to Ranchers and Farmers Mutual Insurance Company for any Property Insurance and to Voyager Property and Casualty Insurance Company for any Involuntary Unemployment Insurance. Such insurance is subject to the terms and conditions set forth in a Master Policy ...

Quan.	Lot No.	Factory No.	Color or Size		ARTICLES	PRICE
1			S		SXS REFRIGERATOR (	1,529.97
				060 MO.	WARRANTY	209.95
					INSTALL	10.95
1					DISHWASHER	809.97
				060 MO.	WARRANTY	139.95
					INSTALL	34.95
1					GAS RANGE (SS)	1,349.97
				060 MO.	WARRANTY	139.95
1		RANGEGASKIT			303141 RANGE KIT	19.97
1		KHMS155LSS			OTR MICROWAVE (SS)	512.97
				060 MO.	WARRANTY	109.95

THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY OR OTHERWISE WHICH EXTEND BEYOND THE ABOVE DESCRIPTION.

WITNESSETH THE UNDERSIGNED SELLER HEREBY SELLS AND THE UNDERSIGNED BUYER HEREBY PURCHASES THE ABOVE DESCRIBED PROPERTY SUBJECT TO ALL OF THE TERMS AND CONDITIONS SET FORTH IN THIS CONTRACT AND FURTHER SUBJECT TO THE BUYER'S CREDIT BEING APPROVED BY THE SELLER.

TOTAL 8387.36
SALES TAX 691.96

TRUTH-IN-LENDING DISCLOSURE STATEMENT

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	Amount Financed The amount of credit provided to you or on your behalf.	Total of Payments The amount you will have paid after you have made all payments as scheduled.	Total Sale Price The total cost of your purchase on credit including your downpayment of $ .00
16.75 %	$ 3197.27	$ 11447.53	$ 14644.80	$ 14644.80

Your payment schedule will be:

No. of Payments	Amount of Payments	When Payments Are Due
36	406.80	2004 and the same day of each month

Insurance: Credit life insurance, credit disability insurance and credit involuntary unemployment insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

TYPE	PREMIUM	SIGNATURE
CREDIT LIFE		I want ☐/do not want ☐ Buyer; I want ☐/do not want ☐ Co-Buyer
CREDIT LIFE AND	160.36	I want ☐/do not want ☐ Buyer
CREDIT DISABILITY	489.14	I want ☐/do not want ☐ Co-Buyer (life only)
CREDIT INVOLUNTARY UNEMPLOYMENT (Buyer Only)	358.80	I want ☐/do not want ☐ Buyer

Property Insurance is required in connection with this loan. You may obtain property insurance from anyone you want or use existing policies issued by insurance companies authorized to do business in TEXAS. X

I elect to: (1) ☐ purchase property insurance through Seller; or (2) ☐ supply my own property insurance coverage (evidence of which must be provided to seller within 10 days) 1359.91

If you get the insurance through us, it will cost $5.49 per $100 per year. Our coverage might duplicate existing coverage if you have a residential property insurance policy. Our coverage ceases when you have fully paid the debt. Our coverage is primary, so it is the first to be used in the event of a loss on the property it covers. You may cancel our coverage at anytime by calling us at the toll-free number provided or by writing us and providing evidence of alternative coverage as required above.

Security: You are giving a security interest in:
X the goods or property being purchased
___ the goods described in Prior Contract(s) #

Filing fees $ ____ Non-filing Insurance $ ____

Late Charge: If a payment is not paid in full within 10 days after its scheduled due date, you will be charged either (a) 5% of the payment or $5, whichever is less, or (b) interest after maturity on each installment not to exceed the highest lawful contract rate under state law.

Prepayment: If you pay off early, you may be entitled to a refund of a part of the Finance Charge and unearned insurance premium, if any.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, prepayment refunds and penalties.

ITEMIZATION OF AMOUNT FINANCED

1. CASH PRICE (Including Sales Tax)		$9079.32
a. CASH DOWN PAYMENT	$	RECEIVED BY ____ AT ____ (DESCRIBE)
b. TRADE IN	$	
2. TOTAL DOWN PAYMENT (a + b)	$	
3. UNPAID BALANCE OF CASH PRICE (1-2)		$9079.32
GROSS PREVIOUS INDEBTEDNESS (OLD BALANCE)	.00	$
FINANCE CHARGE REFUND	$	
SURCHARGE REFUND	$	
TOTAL FINANCE CHARGE REFUND	$	
CREDIT LIFE INS. REFUND	$	
CREDIT DISABILITY INSURANCE REFUND	$	
PROPERTY INS. REFUND	$	
CREDIT INVOLUNTARY UNEMPLOYMENT INS. REFUND	$	
4. NET BALANCE – PRIOR CONTRACT		$
SUB TOTAL		$9079.32

ALL INSURANCE CHARGES PAID TO INSURANCE COMPANIES

*c. OTHER CHARGES PAID TO	$	
*d. CREDIT LIFE INSURANCE	$ 160.36	
*e. CREDIT DISABILITY INSURANCE	$ 489.14	
*f. CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE	$ 358.80	
*g. PROPERTY INSURANCE	$ 1359.91	
h. FEES PAID TO PUBLIC OFFICIALS OR NON-FILING INSURANCE	$	
5. (c + d + e + f + g + h) TOTAL OTHER CHARGES		$2368.21
6. AMOUNT FINANCED (3 + 4 + 5)		$11447.53
FINANCE CHARGE		$3197.27
TOTAL OF PAYMENTS		$14644.80

CONN FUNDING II, L.P. has pledged all of its rights and interest herein to Wells Fargo Bank Minnesota, National Association

*We may be retaining a portion of these amounts as compensation.

Property Coverage Purchased $ 8256.89

THE ADDITIONAL DISCLOSURES AND CONTRACT TERMS INCLUDING SECURITY INTEREST APPEAR ON REVERSE SIDE HEREOF AND ARE A PART OF THIS CONTRACT.

NOTICE TO BUYER. Do not sign this contract before you read it or if it contains blank spaces. You are entitled to a copy of the contract you sign. Under the law you have the right to pay off in advance the full amount due and under certain conditions may obtain a partial refund of the finance charge. Keep this contract to protect your legal rights.

ACKNOWLEDGEMENT OF RECEIPT OF RETAIL INSTALLMENT CONTRACT and DISCLOSURE, as well as, CONN'S FINANCIAL INFORMATION PRIVACY NOTICE. The undersigned buyers understand that the Seller will rely upon this representation and acknowledgement in accepting their obligation ... they do herewith acknowledge receipt of the Retail Installment Contract and the disclosures contained in it. They further represent to the Seller ... received a copy of this Retail Installment Contract, the form was complete and filled in and that all blanks in the form were filled in prior to their signing. They further acknowledge receipt of a copy of CONN'S FINANCIAL INFORMATION PRIVACY NOTICE. (reverse side hereof)

EXHIBIT "A"

Buyer [redacted] 02/ /2004 DATE CONNS

LOAN AGREEMEN' Filed 09/ . /15 Page 1 of Springleaf Financial

DATE /15	ACCOUNT NUMBER	TYPE OF LOAN (Alpha) E 01	DATE FINANCE CHARGE BEGINS TO ACCRUE 04/. ./15
LENDER/SECURED PARTY NAME AND ADDRESS ("Lender")		BORROWER(S) NAME AND ADDRESS ("I","We")	
SPRINGLEAF FINANCIAL SERVICES OF ILLINOIS, INC, [redacted]			

I have carefully read this entire Loan Agreement And Disclosure Statement and all related documents which include the Insurance Disclosure Summary, Truth In Lending Insurance Disclosures and Personal Property Appraisal Form (provided separately if applicable), all of which collectively constitute the "Agreement." This Loan Agreement and Disclosure Statement is divided into four sections: **A. Truth In Lending Disclosures; B. Loan Terms And Conditions; C. Arbitration Agreement And Waiver Of Jury Trial and D. Entire Agreement/Notices/Signature.** If I had any questions, I asked them before I signed these documents. By signing, I indicate my agreement to the statements, promises, terms, and conditions contained in the Agreement.

A. TRUTH IN LENDING DISCLOSURES

ANNUAL PERCENTAGE RATE The cost of my credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost me.	AMOUNT FINANCED The amount of credit provided to me or on my behalf.	TOTAL OF PAYMENTS The amount I will have paid after I have made all payments as scheduled.
25.63 %	$ 6355.67	$ 10444.33	$ 16800.00

My Payment Schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due
48	$ 350.00	monthly beginning 05/.. ..

LATE CHARGE: [X] If any payment is not paid in full within 10 days after its due date, I will be charged 5.00 % of the entire amount of the payment, but not more than $N/A or less than $N/A.

[ ] If any payment is not paid in full within ____ days after its due date, I will be charged $______ if the entire scheduled payment exceeds $______ or $______ if the entire scheduled payment is $______ or less.

PREPAYMENT: If I pay off early: [ ] I may [X] I will not have to pay a penalty or minimum charge.
[ ] I may [X] I will not get a refund or credit of part of the finance charge.

SECURITY: I am giving Lender a security interest in: [ ] Unsecured [X] Motor Vehicles [ ] Other Collateral

Year	Make	Model	Vehicle Identification No.
	CHARLOTA10	BASSPRO	[redacted]
	DODGE TRUC	RAM 1500 P	

[ ] Household items described on the Personal Property Appraisal Form which I have signed and which has been delivered to me with this Agreement.

See the remainder of this Agreement for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties, if any.

ITEMIZATION OF AMOUNT FINANCED

Amounts paid to others on my behalf

1.	$ 315.84	Single Life Premium	Paid To LIFE INSURANCE COMPANY *
2.	$ 1053.36	Single Disability Premium	Paid To DISABILITY INSURANCE COMPANY *
3.	$ 924.00	IUI Premium	Paid To INVOLUNTARY UNEMPLOYMENT INS. CO. *
4.	$ 95.00	MV Certificate of Title Fee	Paid To GOVERNMENT AGENCY
5.	$NONE		Paid To
6.	$NONE		Paid To
7.	$NONE		Paid To
8.	$NONE		Paid To
9.	$NONE		Paid To
10.	$NONE		Paid To
11.	$	Paid To	
12.	$	Paid To	
13.	$	Paid To	
14.	$	Paid To	
15.	$	Paid To	
16.	$	Paid To	
17.	$	Paid To	
18.	$	Paid To	
19.	$	Paid To	
20.	$	Paid To	
21.	$ 6760.72	Amount Paid on Prior Account with Lender	

* Lender may retain a portion of these amounts.

Amounts Paid to me

22.	$ 1295.41	Paid To
23.	$	Paid To
24.	$	Paid To
25.	$	Paid To
26.	$	Paid To
27.	$	Paid To
	$ 10444.33	Amount Financed (Sum of lines 1 - 27)
	$ 25.00	Prepaid Finance Charges (itemized below)

PREPAID FINANCE CHARGES

1.	$ 25.00	Document Preparation Fee	Paid To LENDER
2.	$NONE		Paid To
3.	$NONE		Paid To
4.	$NONE		Paid To
5.	$NONE		Paid To
6.	$NONE		Paid To
7.	$NONE		Paid To
8.	$NONE		Paid To

Case 3:16-ap-03002-SHB Doc 1-1 Filed 01/25/16 Entered 01/25/16 16:53:16 De
Exhibit Exhibit 1 Page 1 of 5

LOAN AGREEMENT AND DISCLOSURES REQUIRED BY STATE AND FEDERAL LAW

ROWER'S NAME / MAILING ADDRESS

Lender's Name and Address:
1ST FRANKLIN FINANCIAL CORPORATION
300 MARKET DRIVE, SUITE 202
LENOIR CITY, TN 37771-6459

TE OF LOAN	FIRST PAYMENT DUE DATE	REMAINING PAYMENTS DUE SAME DAY EACH MONTH AS FIRST PAYMENT IF NO SUCH DAY EXISTS ON LAST DAY OF MONTH.	FINAL PAYMENT DUE DATE	FIRST PAYMENT	OTHER PAYMENTS	AGE	PAYABLE IN
/22/2015	08/22/2015		04/22/2017	$ 261.00	$ 261.00	41	21 MONTHLY PAYMENTS

THIS DOCUMENT IS PLEDGED AS COLLATERAL
PR... CAPITAL, INC.
AS AGENT

1,214.19 Finance Charge $ 5,481.00 Total of Payments 28.78 % Annual Percentage Rate

ITEMIZATION OF AMOUNT FINANCED

2,163.83	Amount Paid on Your Prior Account		
1,408.97	Total Amount Paid To You or To You and Others at Your Request		
17.61	Filing Fees and Taxes Paid To Public Officials		
N/A	Non-Filing Ins. Paid To Ins. Co. For Personal Property Ins.		
N/A	Non-Filing Ins. Paid to Ins. Co. For Motor Vehicle Ins.		
N/A	Auto Single Interest Ins. Paid To Ins. Co.-Cov.	$	NONE
190.00	7-Day Disability Ins. Paid to Ins. Co.-Mo. Benefit	$	258.50
115.90	Credit Life Ins. Paid To Ins. Co. – Coverage	$	5,428.50
370.50	Personal Prop. Ins. Paid To Ins. Co. - Cov.	$	5,428.50
N/A	Involuntary Unemployment Ins.-Mo. Benefit	$	NONE
N/A	United Motor Club - Motor Club Membership		
4,266.81	AMOUNT FINANCED		

LIST OF CHECKS TO YOU OR TO YOU AND OTHERS

$ 1,408.97	You
$	You and
$	You and
$	You and
$	You and
$	You and
$	You and
$	You and
$	You and
$	You and
$	You and

SE AMOUNTS ARE PAID TO OTHERS ON YOUR BEHALF.
ACKNOWLEDGE THAT WE MAY HAVE A FINANCIAL INTEREST IN THE SALE OF PRODUCTS BY VIRTUE OF COMMISSION INCOME THAT WE MAY RECEIVE.
NCE CHARGE (X+Y+Z)

130.59	Service Charge (Prepaid Finance Charge)
52.50	Installment Maintenance Fee
1,031.10	Interest

NOTE AND SECURITY AGREEMENT

Reinvestment Partners' mission is to advocate for economic justice and opportunity. We strive to put an end to predatory lending practices that strip wealth. We work to improve peoples, places, and policy by providing direct service, by community economic development, and through policy advocacy.