



## Creditor-placed insurance in 2010

By Peg Reinking

**M**anaging the bottom line while maintaining member service becomes more intense as the economy causes a tightening of resources. Credit union management must do more with less, and a strong plan for managing administrative costs, mitigating risk and managing the risk related services inherent in lending is mission-critical.

Consider the load that might be lifted — administratively and financially — by the use of a creditor-placed insurance (CPI) program for your vehicle and mortgage loans. In 2009, the average collateralized loan received 2.8 insurance document updates, ranging from the addition of insurance coverage, billing renewals, canceling or expiration notifications. Without a CPI program, your administrative staff may be struggling to apply the latest update of insurance to the correct loan in a timely manner. The risk? Updates may be missed or insurance coverage may not be enough to fully protect your credit union from losses that may occur to the vehicles or properties insuring your loan portfolio.

I have worked with credit unions for 21 years, as an NCUA staffer and now as the division senior vice president overseeing the CPI program at Allied Solutions LLC, and I have witnessed the above scenario repeatedly. During one visit to a credit union, the manager pushed a stack of insurance documents across a desk towards me with the request to “just take this off my hands.”

Certainly, you will want to make sure that your insurance documents are placed in trustworthy hands. When researching a CPI program, keep in mind that the devil is in the details. It is vital that services are sound and risk management is discussed in depth. Measure the strength of the CPI provider's program benefits by keeping the following in mind:

### Administrative support and business continuity

- Consider the strengths of the CPI provider's management. CPI has many variables that require experienced leadership to measure and monitor the details.
- CPI provider training programs should focus not only on the technical aspects of the job, but on the communicative/soft skills, as well, to best support members through tough situations.
- It is essential that a CPI provider have a tried and tested methodology for the application and communication of system upgrades.
- A reputable CPI program will provide its credit union clients with an annual scorecard survey to ensure that they are aware of and meeting your current needs.

- A good program will provide a local representative and support network for training and program benefit reviews.
- You and your members must be able to rely on phone services and insurance data processes of the CPI provider. Ask for the CPI provider's plan of action in the event of a short term or long term event that could interrupt workflow. (Example: power outage or weather related disaster.) Consider whether its business continuity plan has been tested with successful results.

### Recovery and risk management tools for CPI

In addition, Anne Holtzman, vice president of claims and recovery at Allied Solutions, offers the following advice:

- Examine the master policy insurance coverages and endorsements provided by the CPI tracker. Ask about the strengths of reviewing multiple carriers to best meet your needs.
- Along with collateral protection insurance coverages, a CPI program should provide the risk management services that enable a credit union to quickly and successfully locate collateral.
- Also, consider whether the CPI provider will provide you with a program to optimize the sale of that collateral which will make a positive financial impact to offset losses.
- In addition, does the CPI provider have the ability to efficiently handle force placement, collection, repossession, remarketing, liquidation and loss filing in a single integrated location? Such a strategy produces positive results in both efficiency of internal operations and improved financial recoveries.

The key management question for credit unions: are you doing all you can to organize the administrative workload of insurance tracking, limiting your risk and optimizing recovery results in 2010? 🐼

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