Credit life and credit disability insurance

Credit life and credit disability insurance enhances a borrower's financial well-being by reducing the likelihood that a covered loan will end up in default if certain unexpected events occur.

Many borrowers today are taking out larger loan amounts and repaying them over a longer period of time — heightening the need for protection for both the borrower and the financial institution.

Insurance types

Credit life insurance — Pays off or reduces the insured balance on a loan if the borrower dies.

Joint credit life insurance — Protects both the borrower and a co-borrower if both are named on the loan application.

Credit disability insurance — Makes the monthly loan payment (up to the contract limit) on a loan if the borrower becomes ill or disabled and is unable to work.

Joint credit disability insurance — Protects both the borrower and a co-borrower if both are named on the loan application. (where available).

Borrower benefits

Protects financial security — Helps ensure that a borrower's loan will not end up in default in the event of the insured's death or disability, reducing the financial burden on the borrower's family.

Predictable rates — Monthly premium rates are regulated by each state.

Convenient — Application is quick and usually done at time of loan application or loan closing. The monthly premium is included with the monthly loan payment.

Simplified eligibility — Borrowers complete a short application and may need to answer general health questions.

Features

Truncated coverage — Provides protection for a term of insurance that is less than the term of the insured loan.

Critical period disability — Provides for a disability benefit limited to a specified maximum number of monthly payments per claim occurrence.

Shared disability — A form of joint disability where two borrowers are each insured for a percentage share of the monthly and total benefit amount.

Accidental dismemberment — Pays the unpaid loan balance (subject to the plan maximum) in the event of a completely severed hand or foot, or the permanent loss of sight in an eye.

Terminal illness — Pays the unpaid loan balance (subject to the plan maximum) in the event of a sickness or accidental injury which is reasonably expected to result in death within six months.

This is intended as a general description of the major features of the plan design and does not represent the entire program.

Availability

Credit life and credit disability insurance is optional and depending on your financial institution's loan offerings, may be available for purchase on installment loans, lines of credit, credit card loans, and certain types of real-estate secured loans.

Eligibility

Borrowers can usually obtain credit life or credit disability insurance up to the age of 65. For credit disability insurance, a borrower typically must be gainfully working outside his or her residence for wages or profit and have been working for 30 hours or more per week for the 30-day period immediately prior to the insurance coverage effective date.

Borrowers need to complete a short application, usually at time of loan application. A medical exam is not required when a borrower elects coverage prior to loan closing, although general health questions may be asked. If a borrower does not sign up for the coverage at the time of loan application, he or she can do so at any time after loan closing. However, once the loan has been in place for 30 days, the borrower must provide evidence of good health to receive coverage.

If a borrower meets the eligibility requirements, credit insurance typically becomes effective as soon as the loan is finalized.

Cost

Monthly credit insurance premium rates vary by state. Actual cost of coverage depends on a borrower's state of residence, loan amount and the coverage selected.

To keep administration easy, the premium is included with the monthly loan payment.

Single premium vs. monthly outstanding balance

Monthly outstanding balance (MOB) — Borrowers pay for credit insurance as they go. Premiums are not part of the amount financed. Rather, the premiums are charged monthly and are added to the loan's outstanding balance where they are paid with the monthly loan payment.

Single premium — Total premium is paid and collected up front and is then typically financed with the loan.

No obligation for 30 days

A borrower has 30 days to review the Payment Protection Credit Insurance plan. If the borrower is not satisfied with the coverage, he or she can cancel it at any time. If the borrower does so within the first 30 days, any premiums paid will be refunded.

This insurance is intended to serve as a general guide to credit insurance coverage. Our consumer brochure includes a more complete listing of exclusions and disclosures for this product.

Credit insurance is not a deposit or obligation of, or guaranteed by, your financial institution or its affiliates. Credit insurance is not insured or guaranteed by any agency of the federal government. A borrower's credit approval cannot be conditioned on whether credit insurance is purchased.

Coverage is offered under policy form series, Minnesota Mutual xx-4000 series, Minnesota Life MHC-xx-4000 series and xx-60000 series, and Securian Life xx-60000 series, as well as any applicable state variations.

Securian Financial is the marketing name for Securian Financial Group, Inc., and its affiliates.

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