



ATTORNEY GENERAL: GET THE FACTS ON AUTO CREDIT INSURANCE

by Texas Attorney General Greg Abbott

INSURANCE COMPANIES OFTEN NETWORK with automobile dealerships to offer credit insurance policies that insulate vehicle purchases in the event of a personal tragedy. These policies fulfill borrowers' obligations to their lenders if the borrower dies or becomes disabled. Because credit insurance policies provide coverage for the full term of the vehicle loan, many consumers who pay off their loans early are entitled to have their unearned premiums refunded.

Investigators with the Office of the Attorney General have discovered that many credit insurance companies are not complying with the Texas Insurance Code, which requires credit insurers to refund these unearned premiums. As a result, we have charged eight credit insurance companies with failing to refund certain premiums.

In May, Enterprise Life Insurance Company agreed to reimburse nearly \$5 million to affected consumers. Enterprise, the first of the eight companies to settle with the State, sold credit insurance to consumers

through Texas auto dealerships. Their policies, which provided coverage for the duration of vehicle loans, were sold as single-premium policies. Purchasers paid a single lump sum; that is, the entire cost of the credit insurance policy was bundled into the buyer's total loan. Some affected vehicle loans lasted up to six years.

Consumers who cancelled their policies or paid off their loans ahead of schedule were promised refunds for their unearned insurance premiums. Investigators found, however, that Enterprise and others our office has investigated retained the unearned premiums.

Under the State's agreement with Enterprise, more than 21,000 Texas vehicle owners may be entitled to refunds on unearned premiums. Consumers who have not received a check but believe they are owed a refund should contact the Office of Attorney General toll-free at (800) 252-8011 or visit our Web site at www.oag.state.tx.us to obtain more information.

When buying a car, consumers should review contracts and invoices carefully to make sure they are not buying an unwanted credit insurance policy. Some policies add as much as \$500 to \$1000 to the price of a vehicle.

Consumers should also check the "truth in lending" statement on their loan agreement to see whether insurance is required. Buyers always should be cautious of high-pressure sales pitches for unnecessary goods or services, including add-ons like credit insurance.

Consumers who decide to buy credit insurance policies should be aware that the premium is added to the vehicle loan so they will have to pay interest on it. Consumers are entitled to a refund of the unearned premium if the loan balance is paid off before the end of the finance period or if they cancel the policy within 15 days of purchase.

Consumers can inquire about a credit insurer or file a complaint by calling the Texas Department of Insurance at (800) 252-3439.

POINTS TO REMEMBER



CREDIT INSURANCE POLICIES

- **Review** contracts carefully to avoid purchasing an unwanted insurance policy.
- **Check** the "Truth in Lending" statement in loan agreements to determine whether an insurance policy is required.
- **Remember** that Texas law entitles credit insurance purchasers to unearned premium refunds if the purchaser cancels the policy or pays off the loan early.

To ask about a particular credit insurer or file a complaint, contact:

Texas Department of Insurance
(800) 252-3439

For more information on this and other consumer topics, visit the Office of the Attorney General online at www.oag.state.tx.us



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT