

# Blanket VSI **CASE STUDY**

## LEAD COMPANY

Unitas Financial Services helped KEMBA Credit Union Implement a Vendor's Single Interest Policy to mitigate the risk of unknown uninsured collateral and increase servicing efficiencies.

[www.unitas360.com](http://www.unitas360.com)

# The Challenge

Facing challenges with its Collateral Protection Insurance (CPI) program, KEMBA Credit Union sought a streamlined solution as it entered the realm of indirect lending. Executive staff recognized the need for an alternative that would reduce workload and costs. Opting for a VSI policy from Unitas Financial Services eliminated the burden of insurance tracking and forced placement, offering KEMBA a simplified approach to risk management.

Staff found themselves overwhelmed by the workload of manually tracking insurance policies, issuing warning notifications, and force-placing insurance coverage on uninsured collateral as needed. Frustration mounted due to errors arising from adjustments in payments, as well as additional interest charges incurred during premium additions or refunds.

The CPI program not only imposed heavy workloads on staff and resulted in frustration due to errors but also adversely affected members. Instances of insurance being force-placed despite adequate coverage or due to staff errors caused inconvenience and potential financial strain for members. Moreover, delays in member assistance arose when employees handling CPI cases were unavailable, underscoring the lack of comprehensive understanding among staff members.

## Key Findings

- Increased losses under the credit unions CPI program led to unnecessarily inflated allowance for loan loss reserves.
- The staff was spending countless hours per week handling the duties associated with tracking insurance and sending warning notifications.
- There were challenges dealing with loan payments increasing and/or decreasing based on having CPI premium added to the payment.
- The credit union was at risk of negatively impacting members by incorrectly force-placing insurance, when adequate coverage was in place.

## CREDIT UNION STATS

KEMBA was founded in

**1934**

Reported assets

**\$2.1 billion +**

Number of Members

**130K +**

*Statistics as of 1.1.2024.*

# Our Approach

Recognizing that each partner's needs are unique, we strive to understand and address the specific challenges faced by every lender. We prioritize client success and foster long-term collaborative partnerships over sales figures. Our unwavering commitment to this client-first mindset is the cornerstone of our rapid growth and recognition as an industry leader. Our team emphasizes a simplified approach to risk management, guiding our partners towards tailored programs precisely suited to their needs.

## We take a simplified approach.

Before engaging with Unitas, many lenders were unaware of such a simple approach to mitigating collateral loss. CPI-First providers seldom highlight blanket programs, such as Vendor's Single Interest, due to the significantly lower premiums. The Unitas Team upholds transparency and integrity, even if it means sacrificing some of our earnings. Through our consultative approach, we ensure our clients are well-versed in various strategies, empowering them to make informed decisions that realign loss mitigation with their core values, setting them apart as financial institutions.

Our enduring partnerships with lenders span decades, founded on mutual trust, respect, and collaboration. These foundational principles cultivate a close working relationship, enabling us to truly understand our clients' evolving needs and provide dynamic support and value.



### **Educate**

Successful partnerships begin with educating clients on how each program works, the benefits, regulations involved, and costs associated.



### **Guide**

It is our approach to helping guide our partners towards the programs that best fit their needs.



### **Implement**

We work to implement compliant and fully customizable risk transfer solutions to satisfy the unique needs of our clients.

# The Solution

Vendor's Single Interest, also known as Blanket VSI or Lender's Single Interest, is a policy that provides automatic coverage on a lender's consumer loan portfolio. The policy provides coverage for uninsured physical damage to an auto as well as coverage for loans where the collateral cannot be located.

The blanket nature of a Vendor's Single Interest policy eliminates the need to track insurance policies and force-place insurance coverage after origination, providing automatic coverage on new and existing loans at policy inception. The only requirement of the lender is to verify that primary insurance is in place when the loan is made.

## The benefits of the policy:

- Eliminates insurance tracking and renewal follow-up after loan close.
- Transfers collateral physical damage risk to the Blanket VSI policy.
- Skip tracing coverage for the entire portfolio.
- The program provides repossessed vehicle coverage.
- It helps reduce or eliminate charge-off expenses.
- Statutory regulations determine eligibility for pass-through fees.
- Assumption of coverage for the existing loan portfolio available.
- Avoid loan rewrites associated with traditional lender-placed processes.

## Standard eligible collateral includes:

- Automobiles, SUVs, Pick-up Trucks, Vans, ATVs, Snowmobiles
- Watercraft & Recreation Vehicle, Mobile Homes

# The Impact

As a streamlined alternative to CPI, the credit union opted to transition to a Vendor's Single Interest (VSI) policy. Recognizing the need for a solution that would alleviate staff burdens and reduce costs, Unitas offered guidance towards implementing a VSI policy.

**"Getting started was easy; a very smooth transition,"** recalls Lynn Sullivan, Manager. To fully implement the program took only 30-60 days. Sullivan was impressed when the Unitas team continually worked with their staff to ensure a smooth transition. It is also **"very easy to file a claim, and staff is very friendly,"** adds Sullivan.

Compared to a CPI program, a VSI policy provided several benefits for the credit union. It helped increase loan servicing efficiencies, reduce member complaints or issues ("noise"), and provided peace-of-mind regarding compliance with regulations.



## Eliminated Tracking

The blanket nature of the policy provided the bank with automatic portfolio coverage, eliminating the need to track insurance post-close while also helping the secure their financial interest in the collateral.



## Created Efficiencies

By eliminating the need to track insurance policies, issue warning letter notifications, and force-placing coverage, lenders are able to redirect capital towards growth objectives and focus on core competencies."



## Reduced "Noise"

The elimination of warning letters and the possibility of false placements removed a major source of relational friction with highly valued borrowers, leading to a decrease in overall 'noise' and negative feedback.



## Sense of Compliance

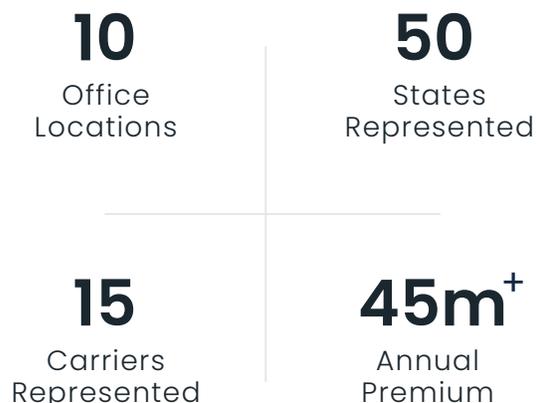
Implementing the policy not only gave the lender peace of mind knowing their financial interest in the collateral was secure, but also ensured that they are compliant with regulatory requirements.

# Overview of Unitas

is an industry leading provider of compliance-driven risk transfer solutions, catering to clients all over the country.

Our team's proficiency in combining creativity, data-driven technology, and expertise allows us to provide effective and customizable specialty solutions.

We are dedicated to providing integrated solutions that address the specific needs and challenges faced by our client base, which includes community lenders, loan servicers, property investors, and fintechs.



## Blanket 360

### Portfolio Protection

Solutions that provide automatic loan portfolio coverage, eliminating the need to track insurance, send warning letters notifications and force-place insurance on uninsured collateral.

### Loan Originations

Programs to lower origination costs, help increase loan volume and protect the loan & borrower.

### Loan Servicing

Solutions to provide portfolio protection, reduce uninsured losses, and streamline servicing operations.

### Compliant & efficient

- Soc II Compliant & Data Secure.
- Top-rated insurance carriers.
- Fast & efficient claims processing.
- Dedicated client success managers.

### Partnerships present opportunities.

We partner with innovative platforms to expand market reach and improve loan portfolio performance.

Our partnership program is designed to elevate lenders, agencies, and financial technology providers to new heights via collaboration.

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