Bank’s offer of ‘free’ insurance is dubious way to appreciate customers

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Sally Hwang recently spotted a payment of $8.10 on her checking account statement for accidental death and dismemberment insurance. Problem was, she had no recollection of signing up for such coverage.
Worse, it appeared the Glendale resident had been making the payment every quarter for possibly years.
“At first, I thought it was identity theft,” Hwang, 47, told me. “But it didn’t seem like I’d been compromised. So then I assumed it was a scam.”
Those are both good guesses, and I encourage everyone to keep a close watch on their checking and credit card statements for just these reasons.
A little digging revealed that what happened to Hwang was more complicated.
First, let’s look at the unholy alliance that the banking and the insurance industries have created to sell accidental death and dismemberment coverage to millions of people.
“The Internet highway is littered with consumer complaints about unauthorized deductions for AD&D policies people didn’t remember requesting and didn’t know they’d been paying for,” said Amy Bach, executive director of the advocacy group United Policyholders.
Many banks and credit unions offer $1,000 worth of accidental death and dismemberment coverage free to customers. They typically say it’s a gift to reward loyalty.
Then, in their next breath, the firms offer a chance to upgrade to as much as $300,000 worth of coverage for only about $10 a month.
A good deal? The first thing you need to keep in mind is that your chances of losing a hand or foot in the modern workplace are pretty slim. And most people return from vacations and other outings with all their body parts intact.
Beyond dismemberment, there are only about 131,000 deaths each year related to unintentional injuries, according to the Centers for Disease Control and Prevention. That’s 41 for every 100,000 people.
So there aren’t a lot of accidental-death claims compared to, say, conventional life insurance or health

coverage.
Therefore, if you're an insurer or a bank that receives a piece of the action, the more people you can sell such protection to, the more money you're likely to rake in.
In Hwang's case, the coverage was coordinated by direct-marketing giant Affinion Group, which aggressively markets accidental death coverage to the financial services industry as a "customer appreciation" program.
The idea is to use the offering of a modest $1,000 insurance policy, which might cost the bank only a few cents in premiums, as a lure to sell increased coverage that can provide significantly more in steady profit.
Affinion says in its pitch to financial institutions that accidental death insurance will "increase profitability, differentiate the institution in the marketplace, deliver incremental fee income and increase retention."
The insurance, it says, leads to "implementation of multiple acquisition, cross-sell and up-sell direct response events," which is marketing-speak for the chance to hawk more stuff to anyone who bought a policy.
All the bank or the credit union has to do is provide its customer list. Affinion then contacts you on behalf of the financial institution.
An Affinion spokesman declined to provide details of the program, such as the percentage of people who upgrade from free coverage to paying regular premiums.
Hwang contacted me after encountering difficulty finding out who was behind the $8.10 charge she found on her Bank of America statement. The money, it said, had been withdrawn by "Mlife."
It wasn't MetLife, which would be a good first guess. The insurer turned out to be Monumental Life Insurance Co., which has roots dating back to 1858. It's now owned by the San Francisco insurance heavyweight Transamerica.
The number provided by BofA steered Hwang to Affinion, which was handling the accidental death insurance on behalf of both the bank and the insurer.
It turns out that Hwang's policy was initiated almost two decades ago, in January 1996, with payments coming from the joint checking account she shared with her mother.
Hwang said she didn't question the payments, which totaled more than $600 over the years, because they were relatively small and were withdrawn every three months.
"I guess I always assumed they were legitimate," she said.
Affinion provided Hwang with a copy of the original enrollment form this week. It showed that BofA's original offer of $1,000 in free coverage had been upgraded to $30,000 worth of protection.

“It’s not my writing,” Hwang told me. “It’s not my signature.”
The policy names her mother as the beneficiary in the event of Hwang’s accidental death. Hwang said her mother this week acknowledged signing her daughter’s name on the enrollment form.
One lesson for all consumers from this episode is that many companies deliberately keep recurring fees at nickel-and-dime levels to discourage people from taking notice or asking questions.
As I said before, don’t fall for it. Keep close tabs on your financial statements.
At the same time, banks and credit unions shouldn’t be complicit in flogging dubious insurance to customers. Nor should they pretend that they’re doing customers a favor when they’re really trying to pad their pockets.
A BofA spokeswoman said the bank stopped offering accidental death policies in 2013 as part of efforts to “focus on core banking products and services.”
That was a step in the right direction. But an online search reveals that many other institutions continue making coverage available to customers.
Affinion’s program is listed as an “endorsed solution” by the American Bankers Assn. to “help banks make money.”
“Consumers are generally much better off buying a conventional term-life policy and basic health and disability insurance than one of these policies,” said Bach at United Policyholders.
You’d be suspicious, I imagine, if a life insurer offered to refinance your mortgage. Do you really think your bank or credit union is worried about you losing a limb?