

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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Bulletin 97-15

To: All Insurance Producers and Companies Authorized to Transact Insurance Business in the State of Alaska, and Other Interested Parties

Re: Use of Credit, Charge, or Debit Cards to Pay Insurance Premiums

The purpose of this bulletin is to clarify the position of the Division of Insurance on the use of credit, charge, or debit cards, such as VISA, MasterCard, and American Express, to pay insurance premiums. Questions have been raised regarding whether acceptance of such payments by an insurer or producer would constitute rebating as the payment of premium to the insurer would be slightly discounted due to credit card administration and service fees.

The acceptance of credit, charge, or debit cards in all aspects of consumer transactions is almost universal, and it is difficult to believe discounted premium payments remitted to the producer or insurer by the card company are anything other than a normal cost of doing business that is far outweighed by the convenience to consumers. More importantly, the acceptance of such cards is not a business practice that is intended or that operates as an inducement to insure.

By this bulletin, insurers and producers authorized to do business in Alaska are notified that they may accept payment of premiums through use of whatever credit, charge, or debit cards they deem acceptable and financially advantageous to their company or agency.

The use of credit, charge, or debit card payment of insurance premiums is intended to provide greater insurance access and flexibility for consumers. It is also intended to shift the risk of failure of payment to the credit, charge, or debit card companies and away from the insurers and producers. Credit, charge, or debit cards may be used for payment of insurance premiums subject to the following restrictions:

- 1) The payment of insurance premiums by credit, charge, or debit card may not increase the total cost of the premium to the policyholder, i.e., the insured may pay no more than 100 percent of the premium for the insurance and the insurer may not charge the policyholder an additional fee for the service of paying the insurance premiums by credit, charge, or debit card.
- 2) A discount may not be offered to a policyholder who elects not to use a credit, charge, or debit card to pay premiums.
- 3) The credit, charge, or debit card option for payment of premiums must be made available to all insureds without discrimination.
- 4) Any refund of unearned premium must be made directly to the credit, charge, or debit card holder or as a credit to the insured's credit, charge, or debit card account, unless the insurance producer has a lien against the unearned premium.
- 5) The insurance may be canceled **only** by the named insured, policyholder, or insurer, not by any other person

or entity such as the credit, charge, or debit card company.

6) Failure of the insured to pay credit, charge, or debit card charges may not cause coverage to be canceled by the insurer unless the credit, charge, or debit card has been canceled or the charge or credit limit has been exceeded.

7) Advertising stating the availability of premium payment by credit, charge, or debit card must disclose that the payment by credit, charge, or debit card is at the option of the consumer and that the same insurance is available to the consumer regardless of the method of payment.

8) The election to pay by credit, charge, or debit card at the time of application for insurance must be treated the same as paying the premium in cash where immediate coverage is provided, unless the credit, charge, or debit card has been canceled or the charge or credit limit has been exceeded.

9) A producer who accepts a credit, charge, or debit card in payment of insurance premium must deal with the funds when they are actually received in accordance with the provisions of the statute addressing the fiduciary responsibility of the producer.

A copy of this bulletin is being sent to each company authorized to do business in Alaska. Any company electing to accept premium payments by credit, charge, or debit card is requested to provide the Division of Insurance a copy of any advertisements, notices to insureds, or other communications designed to notify or instruct producers or insureds about their company procedures for this service.

DATED: December 31, 1997



Marianne K. Burke
Director of Insurance