

**Acceptance by Insurers, Agents, and Brokers of Credit Card to Pay Insurance Premiums**

**MIA BULLETIN NO. 98-15**

**To: All Insurers**

**Re: Acceptance by Insurers, Agents, and Brokers of Credit Card to Pay Insurance Premiums**

**Date: December, 14, 1998**

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In 1987, the then Maryland Insurance Division published a Notice which outlines the requirements under which an insurer admitted to transact an insurance business in Maryland and a Maryland licensed insurance agent or broker may accept credit cards as payment for insurance premiums. Since the publication of that Notice, electronic commerce has become increasingly used as the medium for transacting insurance business. This Notice, which replaces the Notice published on May 22, 1987, maintains all of the former requirements for acceptance of credit cards to pay insurance premiums with one narrow exception for acceptance of credit cards to pay insurance premiums on insurance business transacted entirely through an electronic medium.

In preparing this Notice, consideration was given to §§4-203, 11-205, 11-302, 27-102, 27-208, 27-209, 27-211, 27-212, 27-216, and 27-503 of the Insurance Article.

Under certain circumstances, the acceptance by insurers, agents, and brokers of credit cards to pay insurance premiums violates the anti-rebating and anti-discrimination provisions of the Insurance Article. While the payment of a fee by an insurer to a credit card company for the use of its card would not alone violate the Insurance Article, any advantage or disadvantage passed on or imposed upon an insured related to the use of a credit card to pay insurance premiums is prohibited. The acceptance of credit cards for the payment of insurance premiums will be lawful when accepted in compliance with the requirements of this Notice.

As used herein, the term "credit cards" includes those cards issued by or through banks (e.g., VISA, BankAmericard and Mastercharge) and by nonfinancial entities (e.g., Carte Blanche, American Express and Diner's Club). The term "credit card company" refers to such entities which enter into contractual arrangements with merchants including providers of services whereby the merchant agrees to accept for payment of goods purchased or services rendered a credit card issued by the entity to the recipient of such goods or services. The term "insurer" has the meaning as defined in §1-101(v) of the Insurance Article and includes insurance companies, reciprocal or interinsurance exchanges, nonprofit health service plans, fraternal benefit societies, and MAIF. For purposes of this Notice, the term, "insurer" shall also include health maintenance organizations. The term "qualified insurance agents and brokers" has the meaning as defined in §1-101(ff) and §1-101(gg),

respectively, of the Insurance Article and includes those persons or entities described in §§10-103, 10-118, 10-119, 10-120, 10-121, 10-122, 10-123, 10-124, 10-125, and 10-130 of the Insurance Article, Annotated Code of Maryland. The term “electronic medium” includes both the sale of insurance through telemarketers and the sale of insurance over the Internet.

Insurers, qualified insurance agents and brokers may accept credit cards as payment for insurance premiums by meeting the following requirements:

1. The insurer or producer who enters into a contract with a credit card company to accept credit cards for the payment of premiums must make that service available to all existing and prospective insureds and may not limit the acceptance of credit cards to only certain persons;
2. Notwithstanding Paragraph 1 of this Notice, an insurer or producer who sells or renews insurance over an electronic medium may accept credit cards for the payment of that piece of insurance without offering that payment option to its existing and prospective insureds who purchased or will purchase insurance through a non-electronic medium.
3. On renewal of insurance originally purchased electronically but renewed non-electronically the insurer must comply with Paragraph 1 of this Notice.
4. The insurer may not, for rate making purposes, deem insureds who elect to utilize credit cards for premium payments to be a different class of insureds from those who elect to pay premiums by other methods;
5. Insureds who elect not to utilize credit cards may not be given a discount, that is, they may not be charged lesser premiums than those who elect to use credit cards;
6. No insurer or producer may impose a separate fee or service charge on insureds solely because they have elected to use cards for the payment of premiums.
7. The insurer or producer who accepts payment of premiums by credit card may not request or receive any collateral, including but not limited to unearned premiums, as security of payment, unless the party requesting security is registered pursuant to Title 23 of the Insurance Article (premium finance agreements). Questions should be directed to Donna Imhoff, Associate Commissioner for Life and Health at (410) 468-2201 or Jean E. Bienemann, Associate Commissioner for Property/Casualty at (410) 468-2301.\*

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Insurance Commissioner

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