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Bulletin 17-10

Date: September 22, 2017

To: All Insurers, Nonprofit Health Service Plans, Health Maintenance Organizations, Fraternal Benefit Societies, Dental Plan Organizations, the Maryland Automobile Insurance Fund ("MAIF"), the Maryland Joint Insurance Association ("JIA"), Insurance Producers and Surplus Lines Brokers

Re: Acceptance by Insurers, Producers, and Surplus Lines Brokers of Credit Cards to Pay Insurance Premiums and the Collection of Credit Card Fees

The purpose of this Bulletin is to:

- 1) Rescind and supersede Bulletin 98-15; and
- 2) Provide guidance and answer questions related to the passage of Senate Bill 94/House Bill 800 (Chapters 43/44, Acts of 2017) Insurance Premiums – Payment by Credit Card – Reimbursement for Expenses ("Chapters 43/44"), which amend Section 27-216 of the Insurance Article effective October 1, 2017.

Rules for Acceptance of Credit Cards as Payment for Insurance Premiums

Insurers, insurance producers and surplus lines brokers may accept credit cards as payment for insurance premiums by meeting the following requirements:

1. If an entity or person accepts premium payments by credit card, the service must be made available to all existing and prospective insureds;
2. Premium discounts to benefit other methods of payment over credit cards are not permitted;
3. 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);
4. An insurer may include the cost of accepting late payments or installment payments by credit card, debit card, electronic funds transfer or electronic check payment when calculating the administrative expenses associated with late payments or installment fees. Insurers are reminded that these administrative expenses are subject to review by the Commissioner.
5. When setting rates, an insurer may not deem insureds that elect to make payment by credit card to be a different class than insureds who share similar risk characteristics who elect to pay by other means.

Rules for the Charging of Fees for the Use of Credit Cards by Licensed Insurance Producers and Qualified Surplus Lines Brokers

1. A licensed insurance producer may accept credit cards as payment of insurance premiums and collect from the insured actual expenses incurred by the insurance producer for payment of the premium for a policy by use of a credit card if the producer makes certain disclosures to the insured, including:
 - a. disclosing all available payment methods accepted by the insurer or insurance producer; and
 - b. disclosing any charge for actual expenses incurred by the insurance producer for payment of a premium by use of a credit card.
2. A qualified surplus lines broker may charge and collect from an insured actual expenses incurred by the surplus lines broker for payment of the premium, policy fee, and any other fees and taxes relating to the policy by use of a credit card if the surplus lines broker includes in the written disclosure form required by Section 27-216(b)(8) of the Insurance Article any charge for actual expenses incurred by the surplus lines broker for payment of a premium, policy fee, and any other fees and taxes by use of a credit card; and
3. An insurer may not impose a separate fee or service charge on an insured solely because the insured elects to use a credit card for the payment of premiums;

Guidance in Determining the Charge for Actual Expenses by a Licensed Insurance Producer or Qualified Surplus Lines Broker

A licensed insurance producer or a qualified surplus lines broker may set the charge for making payment by credit card at a rate equal to:

1. the actual expense to be charged at the time of the transaction; or
2. an amount that is less than or equal to the actual expenses incurred.

Please direct any questions concerning this Bulletin to Erica Bailey, Associate Commissioner for Compliance and Enforcement at (410) 468 – 2113 or erica.bailey@maryland.gov.

Al Redmer, Jr.
Commissioner

signature on
original

By: Erica J. Bailey
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Compliance & Enforcement