



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

Bulletin 1995-19

TO: All Insurance Companies Authorized to Transact
Business in Kansas

FROM: Kathleen Sebelius
Commissioner of Insurance

SUBJECT: Kansas Insurance Department Policy on Credit Card Payment

DATE: November 6, 1995

The purpose of this bulletin is to clarify the Kansas Insurance Department's position on the use of credit or bank cards, such as VISA, MasterCard, and American Express, to pay insurance premiums. Some have objected that acceptance of such payment by an insurer or producer constituted rebating, since the payment was slightly discounted due to credit card administration and service fees.

The wide acceptance of credit and bank 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 is anything other than a nominal commercial event far outweighed by the great convenience to consumers. More importantly, it is not a business practice that is intended or operates in reality as an inducement to insure.

By this bulletin, all insurers and producers authorized to do business in Kansas are notified that they may accept payment through use of whatever credit card or bank card they deem acceptable and financially advantageous to their company and/or agency.

This interpretation of credit 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 consideration to the credit card companies and away from the insurers and producers.

(over)

Credit cards may be used for payment of insurance premiums subject to the following restrictions:

- (1) Use of credit card for payment does not increase total premium cost to policyholder, i.e., the insured shall pay 100% of the premium for that insurance;
- (2) No discount is offered to policyholders electing not to use credit card for payment;
- (3) Any refund of unearned premium is made directly to the credit card holder or to his or her credit card account; except in those situations when an agent has a lien;
- (4) The insurance may not be cancelled by any person or entity other than the named insured, the policyholder or the insurer;
- (5) Failure of the insured to pay credit card charges cannot cause coverage to be cancelled, unless the credit card limit is exceeded;
- (6) Any advertising stating availability of payment by credit card must disclose that use of credit card is optional with the consumer and the same insurance must be available to consumers regardless of method of payment;
- (7) Election of paying by credit card charge at the time of application is the same as paying the first premium in cash where immediate coverage is provided, except as modified by K.S.A. 40-451 or when the credit card limit is exceeded.

A copy of this bulletin is being supplied to each company authorized to do business in Kansas. Any company implementing this bulletin shall provide a copy of the advertisements, notices to insureds, or other communications to producers or insureds designed to notify and instruct them as to company procedures for this service.



KATHLEEN SEBELIUS
Kansas Commissioner of Insurance