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## **Insurance Bulletin No. 219**

### *Implementation Credits and Rebating Guidance*

**April 20, 2021**

The Department has recently become aware of requests to employ implementation credits on behalf of group policyholders. In some cases, the implementation credit requests are clearly not connected to actual documented expenses incurred by an insured but are offered for the purpose of inducing an insured to switch insurers. Such implementation credits are a violation of Vermont insurance law. Implementation credits intended to induce a potential customer to obtain insurance with the offering insurer are an illegal inducement or rebate within the Vermont Insurance Trade Practices Act and are prohibited.

Vermont law prohibits insurers from paying, allowing, or offering any rebate of premiums, any special favor or advantage in dividends or other benefits, or valuable consideration or inducements not specified in the policy as an inducement to purchase insurance. 8 V.S.A. § 4085a. The law further prohibits insureds or applicants for group insurance from receiving or accepting any rebate of premium or any valuable consideration or inducement, other than such as is specified in the policy. *Id.*, 8 V.S.A. § 4724(8).

Vermont's Insurance Trade Practices act allows for implementation credits only when all of the following conditions are met:

1. The implementation credit or credits directly offset documented expenses incurred by a group policyholder and invoiced to the insurer;
2. Any implementation credits are plainly expressed in the insurance contract and filed and approved with the Department in compliance with Vermont law; and
3. The credit or credits do not unfairly discriminate between insureds of the same class and equal risk.



Implementation credits which are directly related to actual documented expenses incurred by the group policyholders, invoiced to the insurer, and plainly expressed in the insurance contract are *not* considered rebating under the Vermont Insurance Trade Practices Act.

As stated above, implementation credits must not unfairly discriminate between insureds. The Department is aware that some implementation credits are being offered only to large group policyholders and not to small group policyholders. Any implementation credit must not unfairly discriminate between insureds of the same class and equal risk in the rates charged for any contract of insurance, or in the deductibles or other benefits payable, or in any other of the terms and conditions of such contracts. 8 V.S.A. § 4724(7).

The Department considers implementation credits that do not meet the above requirements a violation of Vermont law.



Michael S. Pieciak, Commissioner



Date

