

July 27, 1978

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 12 (1978)

TO: ALL MOTOR CLUBS OPERATING IN NEW YORK STATE

RE: BENEFITS THAT ARE AVAILABLE TO MEMBERS OF MOTOR CLUBS WHICH HAVE INSURANCE ASPECTS

In recent months the Insurance Department has become aware of certain benefits provided by motor clubs to their members in New York which constitute the doing of an insurance business without a license in this state, in violation of the Insurance Law.

In view of the above this Department hereby promulgates the following guidelines describing how certain benefits which contain insurance aspects may properly be provided to or arranged for members of motor clubs operating in New York. The guidelines also specify certain benefits presently given by some motor clubs which may not be properly provided in New York under the provisions of the Insurance Law.

1. Accident and health coverage.

A motor club may not offer its members accident and health benefits on a direct basis. It may offer this benefit to members under a blanket accident and health policy issued to the club by an insurance company under the provisions of Section 222 of the Insurance Law. Said benefit must be offered to the club member on an optional basis if the member contributes toward the premium payment, the premium being separately stated and identified, and must be on a non-optional basis if the member does not so contribute and the premium is paid by the motor club from club membership fees.

2. Towing and emergency road services, trip interruption services and legal services.

A motor club may, on an optional basis and for a separately stated and identified premium, offer members coverage under a master policy issued to it by an authorized New York insurer for towing and emergency road services, trip interruption services, and legal services in connection with property damage collection from third parties when the members automobile sustains damage as a result of an accident. In the alternative, a motor club may provide towing and emergency road service itself through contract service stations, but it may not reimburse members for funds expended by the member to obtain such services on his own or for trip interruption expenses, with one exception as follows: when towing and emergency road services are provided by the motor club through contract service stations and a member cannot have the services rendered by a contract service station (one not being within reasonable distance or not authorized to operate on certain highways) the motor club may, on a discretionary basis, make such reimbursements. The motor club may not reimburse members for any legal expenses directly nor may it procure a policy of insurance covering legal expenses with the one exception described above

for property damage collection (legal services insurance is not a type of insurance coverage permitted under the provisions of the New York Insurance Law with the one exception as noted hereinabove).

3. Arrest and bail bond certificates.

Motor clubs may not provide bail bond or arrest certificates directly to its members. It may furnish such coverage to members if underwritten by an authorized New York insurance company. Such coverage may be offered to a motor club member on an optional basis with a separately stated and identified premium charge to the member if the coverage is elected. In the alternative, the motor club may provide the coverage to all its members without separate charge and pay the premium for same itself.

Please acknowledge receipt of this letter within 30 days and advise whether or not your motor club presently complies with same and, if not, your intentions as to any changes necessary to comply with the foregoing, to

Mr. Salvatore Castiglione
Consumer Affairs Bureau
State Insurance Department
2 World Trade Center (80th fl.)
New York, NY 10047

Very truly yours,

[SIGNATURE]

ALBERT B. LEWIS

Superintendent of Insurance