



Insurance Collection Executives (ICE)

Louise R. Roseman, Director
Division of Reserve Bank Operations and Payment Systems
Board of Governors of The Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

February 4, 2011

Dear Ms. Roseman,

On behalf of ICE, whose members and associate insurance companies account for 60% of the insurance premiums collected in the U.S., we are writing to express our support for the efforts of the Federal Reserve Board of Governors and Federal Reserve Board Payments staff pertaining to the proposed regulations on debit card interchange fees and routing.

The proposed debit card interchange fee and routing reforms are a positive first step toward creating competition and more proportional costs in the debit card market.

We are pleased to see that we are one step closer to the following:

- Implementing fair and transparent debit card fees (The proposed debit card rate is a great start given that it is a fixed rate between \$.07 and \$.12. However, the rate is still too high, the card issuer's cost is a penny!¹).
- Eliminating interchange rate price-setting by the card companies.
- Establishing the ability to offer "discounts" for various card types and payment types that empower insurers to offer incentives for the least expensive payment alternatives.
- Eliminating exclusive network arrangements.
- Infusing competition among card companies and networks that will benefit insurance companies and their customers (We support the most competitive model whereby a minimum of two competing networks will be offered for each card transaction type).

Over the years, we have seen the cost of accepting debit cards increase in spite of technology advances. As insurance companies we have paid, the interchange fees yet have had no forum to negotiate a better rate for our industry and our customers. Now, with debit cards rapidly replacing paper checks, the card companies have more opportunities to take advantage of their position. Please ensure that that the broken payments card market is repaired.

We understand that some of the very large, powerful banks that benefit from these excessive fees want to delay your work and are willing to take extreme measures to do so. If they are successful, it will simply allow them to further injure the insurance industry, our customers and our economy as a whole with their anti-competitive behavior.

Thank you again for your strong effort. If there is any way in which we can be helpful as you finalize these regulations, please do not hesitate to contact us.


Ken Godfrey on behalf of ICE

Insurance Collection Executives
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¹ Merchant Payments Coalition letter to Honorable Michael Crapo (Senator from Idaho) 12/20/10.