

## Local Premium Tax Advisory Council

May 10, 2016 ~ 1:30 pm

Department of Insurance

Capitol Annex ~ Room 125

### Minutes

#### **Members Present**

Commissioner Brian Maynard

Greg Kosse

Mark Treesh

Beth Murphy

JD Chaney

Stan Logan

Steve Dawson

#### **Members Absent**

Shellie Hampton

Huston Wells

#### **Call to Order / Roll Call / Welcome ~**

Commissioner Maynard called the meeting to order and the roll was called. A quorum was present.

#### **Approval of Minutes ~**

The minutes for the October 27, 2015 meeting were approved as drafted.

#### **Subcommittee Report ~**

Clarify credit on quarterly statement

Members: JD Chaney, Shellie Hampton, Mark Treesh, and Beth Murphy

As background on the issue, KRS 91A.080(3) requires that a credit for unearned premium be taken on the next quarterly statement rather than having a local government issue a refund check for an overpayment. There are occasions where the credit is carried for numerous quarters because the insurer does not have any taxes owed to that local government on which to base the credit. The subcommittee is considering whether statutory changes need to be made to allow options for the return of the overpayment.

The subcommittee reported that it has held several discussions about legislative language to address the issue. Unfortunately, there was the potential for unintended consequences in all amendments considered. It was noted that the actions of primarily one local government were causing a review of the current statutory language. As such, the subcommittee determined it was

best not to move forward with legislative language at this time, but rather, to address the outliers on an as needed basis through Kentucky League of Cities or Kentucky Association of Counties, as appropriate.

## **Old Business ~**

### Application of Tax on Installment Fees

The issue of whether a service fee is included in premium and, therefore, subject to local government premium tax is being considered in an administrative hearing on an appeal of a finding in a market conduct exam by Foremost Insurance Company. The hearing was held in February. The parties are currently waiting on an order from the Hearing Officer.

### Filing of Annual Reconciliation

Information was provided on the annual reconciliation filings for calendar year 2014 (which were due March 31, 2015). At the time of the meeting, there were 64 insurance companies and 25 surplus lines brokers that have not filed their required annual reconciliation.

With regard to filings for calendar year 2015 (which were due March 31, 2016), at the time of the meeting there were 212 insurance companies and 322 surplus lines brokers that have not filed their required annual reconciliation.

The DOI has sent follow-up letters to the non-filers requesting that the annual reconciliation be filed. If the annual reconciliation is not received, the non-filers will be referred to the Office of Legal Services for appropriate action.

### Member Terms

There are three members whose terms will expire June 30, 2016: A city representative (JD Chaney), a county representative (Shellie Hampton), and a representative of domestic insurance companies (Greg Kosse). The Department will be seeking nominations to fill those positions.

## **New Business ~**

### Future Topics for Review

The Commissioner held a general discussion about topics to be addressed by the Advisory Council in future meetings.

It was noted that in the past the Advisory Council focused on issues regarding the process to verify of risk location systems, efforts to update city boundaries with the Office of the Secretary of State and the subsequent digitization of those boundaries, the risk location chart, and a model ordinance. To begin thinking about future topics, the Department shared information about the most common LGPT issues seen within market conduct exams including:

- Confusion regarding the alternative risk location process;

- The improper use of zip codes to identify risk location rather than use of a verified risk location system; and
- Confusion that insurers need both a verified risk location system and a process of due diligence in order to trigger the safe harbor provisions.

Based on the discussion, the members felt that the next focus of the Advisory Council may need to be focused on the creation of educational documents (such as an FAQ document) for local governments and insurance companies.

Further discussion on issues for future work of the Advisory Council will be held at the next meeting.

**Suggested Next Meeting ~**

The next meeting date is tentatively scheduled for October 18. The meeting date will be finalized through email by the Department of Insurance.

**Adjourn ~**

Commissioner Maynard adjourned the meeting.

Submitted By:

\_\_\_\_\_

\_\_\_\_\_  
Date

Approved By:

\_\_\_\_\_

\_\_\_\_\_  
Date