

## Local Premium Tax Advisory Council

May 16, 2017 ~ 1:30 pm

Department of Insurance ~ Hearing Room

### Minutes

#### **Members Present**

Commissioner Nancy G. Atkins

Greg Kosse

Mark Treesh

Beth Murphy

JD Chaney

David Thornton

Steve Dawson

#### **Members Absent**

Shellie Hampton

Huston Wells

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

Commissioner Atkins called the meeting to order and the roll was called. A quorum was present. David Thornton of the Greater Lexington Insurance Agency was introduced as the new Independent Insurance Agent Representative, replacing Stan Logan.

#### **Subcommittee Discussion ~**

Discuss credit balance solution framework

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.

Recently, an issue has arisen as to the definition of the word “next” in context of when the credit balance can be collected. The issue was in the fact of “next” being interpreted to mean that if the insurer did not collect precisely during the next quarter, the insurer lost the money. The

subcommittee reported that they had thought the credit balance issue was resolved non-legislatively, however, a city attorney took a novel approach and during the last spring or fall meeting, the issue resurfaced. The subcommittee is trying to address the problem through a conceptual framework that they are ninety to ninety-five percent agreed upon. This framework would take a tiered structured approach. The subcommittee discussed establishing this framework in statute and could possibly have bill language ready by the fall meeting. It was noted that the refund request form needs to be consistent and that it could be put into statute.

## **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 was 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 of 2016. It was brought up that an issue is likely to arise as a result of the Foremost Decision.

### Consumer Education Initiatives

The DOI had previously considered putting together a Frequently Asked Questions (FAQ) document for their website on LGPT. It would cover commonly asked questions from the perspective of each the policyholder, the insurer, and the local government. LGPT Coordinator, Josh Rayborn sent out a request for questions but received no feedback.

### Filing of Annual Reconciliation

Information was provided on the annual reconciliation filings for calendar year 2016 (which were due March 31, 2017.) At the time of the meeting, there were 282 insurance companies and 91 surplus lines brokers that have not filed their required annual reconciliation. The DOI's process is to provide two follow-up contacts to the non-filers. If the annual reconciliation is still not filed, the matter will be referred to the Office of Legal Services for appropriate action.

## **New Business ~**

There was discussion about following up and continuing to pursue FAQ's as an educational initiative. The suggestion was made that as calls come mostly from companies or brokers looking to come to KY, a basic guide on how to figure rates and how they apply could be something to address. It was noted that LGPT information can be difficult to find on the Department website and that direct links may be helpful. Another topic to touch on could involve clarification that the tax is not an increase in premium, but rather a tax upon the premium based on local government rates.

Mark Treesh suggested that on the occasions that customer complaints or queries were received about LGPT that consideration should be given to referring policy questions to the Local Premium Tax Advisory Council rather than immediately to the Market Conduct area so that policy questions

could be addressed more broadly. JD Chaney clarified that this would only pertain to matters of significant policy or broader concern.

The question was posed as to how many municipalities have raised or changed rates. LGPT Coordinator, Josh Rayborn estimated there were twelve.

**Suggested Next Meeting ~**

The next meeting will be in the month of October at the standard meeting time of 1:30 pm in the Hearing Room at the Department of Insurance. The exact meeting date will be finalized through email by the Department of Insurance.

**Adjourn ~**

Commissioner Atkins adjourned the meeting.

Submitted By:

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Date

Approved By:

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Date