

Local Premium Tax Advisory Council

August 12, 2009 ~ 1:30 pm

Department of Insurance Hearing Room

Minutes

Members Present

Commissioner Sharon Clark, Chair
Paula Pabon, proxy for Greg Kosse
Temple Juett, proxy for Neil Hackworth
Mike Lane
Mark Treesh

Welcome and Roll Call

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

Approval of Minutes

The minutes for the meetings of April 15, 2009 and June 16, 2009 were approved. A question was raised about the assessment amount for June as it was a decrease from the month of April. DOI Staff noted that the decrease was due to refunds.

Subcommittee Reports

a. Risk Location Criteria: Temple Juett provided the report for the subcommittee. There continues to be a backlog at the Commonwealth Office of Technology in digitizing the boundary maps. Mark Treesh commented that one of his association members reviewed addresses in the programs from two separate vendors and that there appeared to be a conflict in the identified risk location between the two vendors. It was noted that any conflict could be the result of when the vendor gathered and implemented the COT boundary data, as it is continuously updated. The administrative regulation requires verified entities to update their boundary data quarterly. It was also noted that some conflicts could be the result of agent reporting.

The issue was again raised about boundary disputes in situations where the appropriate filings were made with the Secretary of State's Office, but the maps had not been digitized by COT. These issues will be addressed on a case-by-case basis. It was also noted that the backlog of maps to be digitized will be resolved in time and, in turn, this issue will become moot.

b. Due Diligence: Paula Pabon reported that the subcommittee held a conference call on July 8, 2009. The main discussion dealt with identifying the location of risk for surety. The current risk location chart states the location of the risk is based on the location of the obligee. The Department has been asked to consider whether the risk is more accurately placed at the location of the project, or if the location of the project is undetermined, the location of the principle. The subcommittee discussed the issue and agreed with locating the risk based on the location of the project. However, the Surety

Association has now asked for additional clarification. Another subcommittee call will be scheduled to discuss the additional request.

Additionally, the following three changes have been proposed to the risk location chart:

- With regard to title insurance, the location has been amended to reflect the address of the property
- With regard to group disability/life insurance – an addition has been made to the location of the risk to reflect that the location is based on the master policyholder if the employer is responsible for full payment of premium
- A guideline was added to clarify that local ordinances may contain additional exemptions or special instructions related to the tax for a specific local government.

c. Data Collection: Mark Treesh reported that the subcommittee held a conference call on August 10, 2009. During the conference call, Russ Hamblen provided a progress report regarding the process for filing the annual reconciliation electronically. The following points were discussed:

- The process will allow for filing through an eServices account on the Department's Web site or through FTP. The method will be at the option of the insurer.
- The data elements that will be required with the annual reconciliation were discussed. Insurers commented that they would not want to incur additional costs to generate the electronic file and submit it to the Department.
- The cities have a strong concern about the electronic files and want to continue receiving paper filings. It was shared that because of unrelated issues, such as the telecommunications tax, the cities are concerned that electronic filing of the annual reconciliation is the first step towards centralized collection of the tax. While that was not the intent of the electronic filing process, the Department recognizes the cities' concern. Discussion was held regarding allowing the local governments the option of receiving their annual reconciliation electronically or by hard copy. Insurers expressed concern about the ability to track the option chosen by the local government. Therefore, while insurers will file electronically with the Department, they will still file their annual reconciliations by hard copy with the local governments.

It was noted that the subcommittee continues to support this project.

d. Education: Stan Logan reported that the publications on the Department's Web site appear to be answering most questions regarding HB 524. Ronda Sloan will be working on an explanation of the verification process for agents. It was noted by State Farm that, surprisingly, they have not received a lot of questions from agents and consumers. Finally, it was noted that KACo had been asked to survey the County Judge Executives to determine whether they had any questions that needed clarification from the subcommittee. No feedback from KACo has been received yet.

e. Future Reforms: Mike Lane reported that the subcommittee had been working through the list of technical changes that had been gathered. The action on those changes is as follows:

- Questions regarding the location of insurance on cell phones (and other mobile risks) have been addressed through the risk location chart.
- Questions regarding the location of the risk for group health insurance and group life insurance will be addressed through recommended changes to the risk location chart.
- Changes to clarify that the collection fee is in addition to the tax were tabled because the subcommittee felt that attempting a statutory change would cause more confusion.
 - Mayor Cox stated that he felt the industry is not on the same page with regard to the collection fee and that the statute is unclear. It was noted that the Department could clarify this through an administrative regulation after the 2010 Regular Session.
- Draft legislative language was provided to the members on three technical amendments to be introduced during the 2010 Regular Session. (See attached.) The subcommittee requested that the Advisory Council review the proposals and a vote be taken on the proposals at the October meeting.

Finally, it was noted that there are other proposed changes to the local government premium tax structure that are not considered technical changes. The subcommittee will begin to discuss these issues when final decisions are made on the technical amendments.

Old Business

There was no old business to report.

New Business

There was no new business to report.

Next Meeting

The next meeting of the Advisory Council will be held on October 21, 2009 at 1:30 in the DOI Hearing Room.

Submitted By:

Date

Approved By:

Date