

# Local Premium Tax Advisory Council

August 27, 2008 ~ 1:30 pm

Department of Insurance Hearing Room

## Minutes

### Members Present

Commissioner Sharon Clark, Chair  
Neil Hackworth  
Tom Troth  
Judge Executive David Jenkins  
Stan Logan  
Greg Kosse  
Mike Lane  
Mark Treesh

- I. Welcome ~ Commissioner Clark called the meeting to order and the roll was called. A quorum was present.
- II. Approval of Minutes ~ The minutes from the July 16 meeting were approved.
- III. DOI Update on Implementation Efforts
  - a. Disclosure Regulation, 806 KAR 2:092E ~ DJ Wasson reported that the emergency regulation was filed and effective on August 14, 2008. The ordinary regulation was filed at the same time and is in the promulgation process.
  - b. Staff Update ~ Brad Currier was introduced as the new DOI Information Technology staff member.
  - c. Local Issues Conference Update ~ John Burkholder, Deputy Commissioner, DOI, provided an update. He indicated that there was a great interest in HB 524 from the participants and good discussion about the need to have up-to-date boundary data filed with the Secretary of State.
- IV. Subcommittee Reports
  - a. Risk Location Criteria ~ Neil Hackworth reported that the subcommittee has begun identifying problems with city boundary data. Pursuant to HB 524, the source for the data is the filings with the Secretary of State. The filings are then mapped by COT. Some of the issues include cities who have not updated their filings with the Secretary of State and filings that are unmappable by COT.

The subcommittee is hoping to meet within the next two weeks to continue discussions.

b. Guidelines for Imposition of Tax ~ Greg Kosse reported that the subcommittee has met once. The primary discussion was to define the task of the subcommittee, which was defined as creating a process that will be flexible enough allow companies to be compliant while allowing taxes to be remitted to the correct municipality and structure in a way that will be enforceable by the Department. The goal is to have a process that is predictable and consistent.

The majority of time was spent discussing risk location and unique policies (for example, rental car companies with different hubs, but headquartered in a large municipality).

c. Data Collection ~ Mark Treesh reported that the subcommittee met through a teleconference. They believe that their primary role will be to support the data needs of other subcommittees. Several data issues were discussed on the call including:

- centralized collection – there was a diversity of opinion on this issue;
- geo-coding;
- reporting issues – this was specifically discussed with regard to refunds and aggregate data that has been provided to support refund requests in the past. HB 524 now requires more detailed information;
- Differences between agents and companies in determining risk location for quotes and premiums – this issue is raised when an agent assumes a risk is in a specific jurisdiction and includes that tax when providing a rate quote; however risk is actually located in a different jurisdiction and therefore, the premium is different than the quote;
- central reporting – this was not well received;
- standard forms – it was reported that most jurisdictions are now accepting software generated forms versus municipal specific forms; and
- e-filing returns – it was thought that this would not be that much help to insurers in that they would still need to be maintained and printed to determine accuracy.

d. Education ~ Stan Logan reported that the goal of the subcommittee is to educate agents, cities and counties regarding local government premium taxes. An Overview and Frequently Asked Questions document has been drafted. This is now in one document, but may become three – one for consumers, one for insurers/agents, and one for municipalities.

It was commented that the subcommittee may want to explore drafting articles for local papers aimed toward policyholders.

e. Future Reforms ~ Mike Lane reported that a wish list of future reforms has been developed. The goal is to now meet and narrow the list to begin focusing on specific issues. It was requested that the issue of whether the collection fee is a part of the tax or in addition to the tax be added to the wish list. It was also

commented that, as the Department implements HB 524, a listing of clean-up amendments be maintained and added to the listing of future reforms.

A discussion was held as to whether legislation should be proposed for the 2009 Session. That issue will be discussed further at the subcommittee level.

V. Old Business

The flowchart of the Appeals Process, which was previously distributed to members by e-mail, was discussed. The flowchart was based on an interpretation that the appeals process did not begin until January 1, 2009. It was commented during the meeting that the intent was to have the statute of limitations changes begin January 1, 2009. However, the sole and exclusive remedy of the appeals process was meant to begin on the effective date of the act, July 15, 2008. The Department will reconsider the flowchart with that intent in mind.

The Franklin County lawsuits were discussed. The Department will monitor the lawsuits but it does not intend to intervene at this time.

VI. New Business

There was no business discussed under this agenda item.

VII. Meeting Dates ~ The next meeting of the Advisory Council will be held on September 24 at 1:30 in the DOI Hearing Room. The Council will make the final determination for upcoming meetings at the September 24 meeting.