

# Local Premium Tax Advisory Council

October 21, 2009 ~ 1:30 pm

Department of Insurance Hearing Room

## Minutes

### **Members Present**

Commissioner Sharon Clark, Chair  
Temple Juett, proxy for Neil Hackworth  
Mayor Will Cox  
Shellie Hampton  
County Judge/Executive David Jenkins  
Greg Kosse  
Prentice Harvey, proxy for 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 August 12, 2009 were approved.

### **Demonstration of Electronic Annual Reconciliation System**

Russ Hamblen demonstrated how an insurance company will file an annual reconciliation through the Department's eServices Web site and how a local government can obtain reports regarding the annual reconciliation. Additionally, the Department has posted a document on-line that will demonstrate this information click-by-click. It was noted that the Department explored the option of a webinar to demonstrate this system. Unfortunately, due to firewall issues, we are unable to host a webinar.

The question was posed as to whether summary data, such as total taxes paid per jurisdiction, can be made available for the public. The initial thought was that some standard summary reports can be made available. However, the Department will research this question further.

### **Subcommittee Reports**

a. Risk Location Criteria: Temple Juett provided the report for the subcommittee and noted that the same issues regarding a backlog of filings at the Secretary of State's Office and the Commonwealth's Office of Technology remain.

Russ Hamblen reported that 16 vendors have been verified. Those are listed on the Department's Web site. Additionally 5 or 6 small insurers have filed for approval of an alternative risk methodology. Those are not reflected on the listing of verified vendors available on the Department's Web site.

b. Due Diligence: Greg Kosse reported that the subcommittee met on Monday, October 19<sup>th</sup> to discuss issues related to the location of risk and surety bonds at the request of the Surety & Fidelity Association of America. The recommendation is that the location of the risk is where the project is taking place. If there is no project, the risk is based on the location of the obligee. The risk location chart will be amended to reflect this recommendation.

c. Data Collection: Mark Treesh reported that the subcommittee had not met. It was noted that the subcommittee previously spent time discussing the annual reconciliation e-filing project. Now, the subcommittee will resume its focus on future reform issues.

d. Education: David Jenkins reported that the Judge/Executive Association had been approached to determine what educational issues they would like addressed. It was made apparent that several members didn't have a good general understanding about the ability to impose a local government premium tax. So, it was decided that general information would be presented at the Judge/Executive retreat. Unfortunately, David Jenkins was unable to attend the retreat.

Commissioner Clark offered the Department's resources to help with education efforts to local governments. KLC and KACo will let the Department know of any help that is needed.

It was suggested that, if agent training occurs, one topic that should be covered is that the official boundary data is the data filed with the Secretary of State's Office and digitized by COT rather than the data available from the PVA office. This information is noted in a new implementation guide being drafted by the Department. Members were provided with a copy of the draft for review and comment within the next two weeks.

e. Future Reforms: Prentice Harvey reported that the subcommittee had not met. However, he did reference the housekeeping legislation (separate from the Department's legislative package) that has been prepared to:

- Clarify that the exclusive remedy began on July 15, 2008 (the effective date of HB 524)
- Subject surplus lines brokers to the disclosure requirements
- Clarify that the disclosure notice is applicable to new business in addition to renewal business

### **Old Business**

Fred Spencer, an investigator in the Department's Consumer Protection Division, provided an update on the complaints that the Department has received regarding local government premium taxes. He indicated that the first notice letter generated quite a few phone calls. Since then, most of the complaints the Department has received relate to personal lines, and most have been resolved through a letter to the company. The Department has received approximately 20 complaints regarding commercial policies. Of those, 4 required legal orders to resolve the issue.

**New Business**

As discussed during the meeting, the Department will provide the members with:

- A response regarding releasing summary data from the electronic annual reconciliation filings;
- An electronic version of the draft language for the housekeeping proposal
- An electronic version of the draft implementation guide

**Next Meeting**

The next meeting of the Advisory Council will be determined when the committee calendars become available. It was discussed that a good time may be after a meeting of the Local Government Committee.

Submitted By:

Q Wasson

10-23-09  
Date

Approved By:

Shawn P. Clark

4-14-10  
Date