



PUBLIC PROTECTION CABINET

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Robert D. Vance
Secretary

Sharon P. Clark
Commissioner

MEMORANDUM

TO: All Insurers, other than Life or Health Insurers, Issuing Policies in Kentucky;
All Surplus Lines Brokers Exporting Insurance in Kentucky; and
All Licensed Agents Transacting Insurance in Kentucky.

FROM: Sharon P. Clark, Commissioner

RE: Premium Surcharge Rate Adjustment

DATE: February 1, 2010

On January 15, 2010, the Department of Insurance issued Bulletin 2010-02 advising insurance companies, agents, and surplus lines brokers that the Department of Revenue had adjusted the premium surcharge rate. In accordance with the Bulletin, effective on and after April 1, 2010, the premium surcharge authorized by KRS 136.392 would be adjusted from 1.5% to 1.8% and applied to premiums collected from policyholders after that date.

Subsequent to the issuance of the Bulletin, the Kentucky Department of Insurance and Department of Revenue have received inquiries and expressions of concern from insurance companies, agents, and surplus lines brokers charged with the task of implementing the premium surcharge adjustment referenced in Bulletin 2010-02. The questions and concerns have been in regards to the manner in which the premium surcharge is collected from policyholders and reported to the Department of Revenue. Specifically, insurance companies have questioned whether they may continue their long-standing practice of collecting and reporting the premium surcharge at the time the policy is written, as opposed to when each payment for the premium is collected from the policyholder.

Please be advised that the premium surcharge adjustment may be collected and reported to the Department of Revenue in a manner consistent with the company's current practices, including the remittance of the premium surcharge based on written premium amounts. The Department of Insurance understands the difficulties that insurance companies and surplus lines brokers may encounter as a result of implementing the adjustment in the premium surcharge in order to comply with the April 1, 2010, effective date. The Department expects that each insurance company and broker will make a good faith effort to collect and report the premium surcharge accurately before and after the rate adjustment. Such a good faith effort will serve to mitigate any noncompliance issues that might be identified by the Department of Insurance in the future.