



**COMMONWEALTH OF KENTUCKY  
DEPARTMENT OF INSURANCE  
FRANKFORT, KENTUCKY**

**BULLETIN**

**2010-06**

*The following Bulletin is to advise the reader of the changes to legislation made during the 2010 Kentucky General Assembly (Regular Session) governing local government premium taxes. This Bulletin is for informational purposes only and is not legally binding on either the Department or the reader.*

TO: All Insurance Companies and Surplus Lines Brokers Subject To Kentucky Local Government Premium Taxes

FROM: Sharon P. Clark, Commissioner

RE: Local Government Premium Taxes  
2010 Legislative Changes

DATE: June 15, 2010

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**1. Disclosure Requirements Applicable to Surplus Lines Brokers**

House Bill 278 of the 2010 Kentucky General Assembly amended KRS 304.10-180 (the statute governing taxes payable by surplus lines brokers) to clarify that surplus lines brokers are responsible for compliance with KRS 91A.0810. It should be noted that KRS 91A.0810 was also amended in HB 278 to state the instrument on which the disclosures must be given. In particular, KRS 91A.0810(1) provides:

- (1) Effective December 31, 2008, if the local government premium tax is included in the premium charge to the policyholder, the insurance company shall include the amount of the local government tax charged for the period and the name of the taxing jurisdiction to which the local premium tax is due for:

- (a) Newly issued policies on the:
  - 1. Policy;
  - 2. Declaration sheet; or
  - 3. Initial billing instruments; and
- (b) Renewed policies on the:
  - 1. Renewal certificate; or
  - 2. Billing instrument for each period for which premium or additional premium is charged to a policyholder by the insurance company.

Effective July 15, 2010, despite the reference to “insurance company” in the statute, HB 278 makes surplus lines brokers responsible for the disclosure requirements in KRS 91A.0810 and 806 KAR 2:092, the administrative regulation establishing minimum standards for the disclosure of local government premium taxes to policyholders.

## **2. Tax Exemption for Premiums Paid by Non-profit Self-insurance Groups**

In addition to the changes in the disclosure requirements, HB 278 also provides an exemption to the payment of local government premium taxes. Effective July 1, 2010, through and including June 30, 2012, local government premium taxes shall not be applied to “premiums paid to insurance companies or surplus lines brokers by non-profit self-insurance groups whose membership consists of cities, counties, charter county governments, urban-county governments, consolidated local governments, school districts, or any other political subdivisions of the Commonwealth.”

The above-referenced exemption for local government premium taxes is limited both in its application as well as its duration. HB 278 specifies that the exemption will begin July 1, 2010, and will expire at the end of June 30, 2012. Further, the exemption is limited to premiums paid *by* non-profit self-insurance groups with specified membership. An example of the exemption is the premium paid for excess insurance coverage purchased by a non-profit self-insurance group to comply with statutory requirements under KRS Chapter 304, Subtitle 48.

Questions regarding this Bulletin should be directed to the Local Government Premium Tax Unit. Phone: 502-564-1649; Fax: 502-564-6090; or e-mail: [Brenda.Smith@ky.gov](mailto:Brenda.Smith@ky.gov).

/s/ Sharon P. Clark  
Sharon P. Clark, Commissioner  
Kentucky Department of Insurance  
On this 16<sup>th</sup> day of June, 2010