

## LIABILITY RISK RETENTION GROUPS

Pursuant to the Liability Risk Retention Act of 1986, 15 U.S.C. § 3901 et seq., KRS Chapter 304.45 requires registration of liability risk retention groups (RRGs) doing business in Kentucky.

The Form 960, as well as other information, are available via the Kentucky Department of Insurance website, which is <http://insurance.ky.gov/>. Unlike some states, the Commissioner, Kentucky Department of Insurance is not the agent for service of process on insurers. Instead, this function is performed by the Secretary of State. The Form 970, should be completed for designation of the Secretary of State as agent for Service of Process. The Form 970, is available via the Kentucky Department of Insurance website.

The Liability Risk Retention Act requires that an annual statement, as filed with the insurance supervisory official in the group's domiciliary state, be filed with the insurance supervisory official in every state where the group is doing business. The filing due date is March 1. The annual statement must be filed with the registration form (Form 960).

KRS 304.45-050(1) requires persons acting as insurance agents, on behalf of liability risk retention groups, be licensed insurance agents. KRS 304.45-050(3) and (4), require insurance contracts issued by liability RRGs to contain a disclosure statement to the effect that the contract has been issued by a RRG. The registration form requires the RRG to identify its agents. If the RRG has no licensed agents, information on the agent licensing process may be obtained from the Kentucky Department of Insurance, Agent Licensing Division, (address provided, top of the page), 502-564-6004 or via the Kentucky Department of Insurance website.

The Liability Risk Retention Act authorizes states to require liability RRGs to comply with unfair claims settlement practices laws and regulations (KRS 304.45-110). Copies of KRS 304.3-200, 304.12-220, 304.12-230 and 806 KAR 12:092 are available on the Kentucky Department of Insurance website under "Laws and Regulations."

Liability RRGs must pay several types of premium taxes (KRS 304.45-080). Those which will be most commonly applicable are Kentucky local premium taxes (rates vary from 2% to 14%, plus a collection fee), a 2% state tax, and a 1.5% property and casualty insurance surcharge. Kentucky local government premium taxes are administered by the Kentucky Department of Insurance, but payments are made directly to the local governments where risks are located. To obtain local government premium tax forms, see KRS 91A.080, 806 KAR 2:090, 2:095, 2:096, 2:097, the Kentucky local government premium tax schedule, Forms LTG 140 and LTG 141 are available via the Kentucky Department of Insurance website. In the Kentucky local government premium tax schedule, the tax rates under the heading "Casualty/Liability Only" apply to business written by liability RRGs.

The 2% state tax and 1.5% property and casualty insurance surcharge are administered by the Kentucky Revenue Department. To obtain forms and instructions regarding the state tax and property/casualty surcharge, contact the **Kentucky Revenue Department** at P. O. Box 1303, Frankfort, KY 40602-1303 or 1266 Louisville Road, Frankfort, KY 40601 – telephone number, 502-564-4810.