



## PUBLIC PROTECTION CABINET

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### **HB 524 Implementation Update** **December 1, 2009**

The purpose of this document is to provide insurance companies, surplus lines brokers and local governments with guidance for implementing the HB 524, related to local government premium taxes, as codified in KRS 91A.080 – 91A.0812.

#### **KRS 91A.0806 – Verification of risk location systems and programs**

This implementation update is being issued to address inquiries received by the Department of Insurance regarding the statutory requirements for an insurance company and surplus lines brokers to use a verified risk location system or program. While the questions and responses below use the terminology, “insurance company,” pursuant to KRS 304.10-80, the same requirements apply to surplus lines brokers.

- 1. My insurance company has purchased software from a vendor that has been verified by the Department of Insurance. Do I need to notify the Department that I have chosen a specific vendor?**

No, insurance companies do not need to notify the Department of their selected verified vendor. The Department will ensure compliance through its inquiries examinations or investigations.

- 2. My insurance company writes less than two thousand (2,000) policies in Kentucky. Do I need to get an exemption from the requirement to use a verified risk location system or program?**

No. The statutory requirement to use a verified risk location system or program is only applicable to insurance companies that issued or renewed more than two thousand (2,000) policies in the preceding calendar year. Because there is not a statutory requirement for an insurance company that issued or renewed less than two thousand (2,000) policies, no exemption is needed.

However, it should be noted that the safe harbor provisions in KRS 91A.0806(5) only apply to insurance companies that utilize a verified risk location system or program and have a process of due diligence, in accordance with KRS 91A.0806(4), to accurately charge, collect and remit local government premium taxes, regardless of the number of policies issued or renewed.

**3. My insurance company issued or renewed less than 2,000 policies, but has more than 200 risks locations in Kentucky. Do I have to use a verified risk location system?**

Insurance companies with two thousand (2,000) or less policies issued or renewed in Kentucky are not statutorily required to use a verified risk location system.

However, once again, please note, that the safe harbor provisions in KRS 91A.0806(5) only apply to insurance companies that utilize a verified risk location system or program and have a process of due diligence, in accordance with KRS 91A.0806(4), to accurately charge, collect and remit local government premium taxes, regardless of the number of policies issued or renewed.

Insurance companies with more than two hundred (200) risk locations may use a verified electronic risk location system. A listing of verified systems is available on the Department's Web site, [http://doi.ppr.ky.gov/kentucky/Documents/Tax/Verified\\_Vendors.pdf](http://doi.ppr.ky.gov/kentucky/Documents/Tax/Verified_Vendors.pdf)

Insurance companies with two hundred (200) or less risk locations have the option to: (1) use a verified electronic risk location system or program; or (2) apply for approval of an alternative means of identifying the location of a risk (for example, a manual method). The process for applying for an alternative method of risk location is set forth in administrative regulation, 806 KAR 2:088.