



**PUBLIC PROTECTION CABINET**

**Andy Beshear**  
Governor

**Department of Insurance**  
P.O. Box 517  
Frankfort, Kentucky 40602-0517  
1-800-595-6053  
<http://insurance.ky.gov>

**Kerry B. Harvey**  
Secretary

**Ray A. Perry**  
Deputy Secretary

**Sharon P. Clark**  
Commissioner

*The following guidance is to advise the reader of the current position of the Kentucky Department of Insurance (“the Department”) on the specified issue.*

FROM: SHARON P. CLARK, COMMISSIONER

RE: LOCAL GOVERNMENT PREMIUM TAXES (LGPT)  
REFUND OF PREMIUM/DIVIDENDS PERSONAL AUTO POLICIES  
COVID -19

DATE: APRIL 24, 2020

\*\*\*\*\*

The Kentucky Department of Insurance (“Department”) issues this guidance pursuant to Executive Order 2020-220, State of Emergency Relating to Insurance.

On March 6, 2020, Governor Beshear issued Executive Order 2020-215 declaring a State of Emergency due to the COVID-19 pandemic. On March 9, 2020, Governor Andy Beshear issued Executive Order 2020-220 giving the Commissioner of Insurance the authority to temporarily waive, suspend, and/or modify the operation of any statute or administrative regulation currently in place under the purview of the Kentucky Department of Insurance in order to best serve the interest of the public health, safety, and welfare during the state of emergency related to COVID-19.

Governor Beshear’s “Healthy at Home” initiative has resulted in Kentuckians driving less. As a result, insurers have re-assessed their risk associated with personal auto policies, and some have made the business decision to return premium or issue dividends to consumers.

While the issuance of dividends would not impact local government premium taxes, KRS 91A.080(3), states that a return of premium as a result of a policy cancellation results in a return of associated local government premium tax.

The Department recognizes that the different actions of insurers in response to the COVID-19 pandemic results in an uneven framework for the return of local government premium tax to consumers. The Department is also aware of the administrative burden placed on insurers if a pro-rated return of local government premium tax was ordered by the Department. Finally, the Department recognizes that this revenue is needed by local governments to fund critical services. Therefore, the Department takes the position that a refund of local government premium taxes in relation to the return of premium as a result of altered driving patterns during the COVID-19 pandemic is unwarranted.

This guidance does not apply to the return of premium associated with a typical policy cancellation, or any other insurance transaction outside the scope of the state of emergency associated with the COVID-19 pandemic.

Should you have further questions regarding this guidance, please direct those to the Local Government Premium Tax Section at [DOI.MunicipalTaxes@ky.gov](mailto:DOI.MunicipalTaxes@ky.gov), or call 502.564.1649.

/s/ Sharon P. Clark

Sharon P. Clark, Commissioner  
Kentucky Department of Insurance

