Andy Beshear
Governor

OFFICE OF SALES AND EXCISE TAXES

DEPARTMENT OF REVENUE
FINANCE AND ADMINISTRATION CABINET
501 HIGH STREET, STATION 50
FRANKFORT, KENTUCKY 40601-2103
revenue.ky.gov

Holly M. Johnson
Secretary

Thomas B. Miller
Commissioner

Richard Dobson
Executive Director

MEMORANDUM

TO: Legislative Research Commission
Kentucky Fire Commission
Kentucky Law Enforcement Council
Kentucky Department of Insurance

VIA: Thomas B. Miller, Commissioner
Department of Revenue

FROM: Richard Dobson, Executive Director
Office of Sales and Excise Taxes

DATE: August 24, 2020

SUBJECT: Insurance Premiums Surcharge

KRS 136.392 requires the Department of Revenue (DOR) to calculate an estimate of insurance premiums surcharge due from each Kentucky-licensed property and casualty insurer based on insurance premiums reported to the Department of Insurance (DOI) during each calendar year compared to the actual amount of surcharge DOR has collected.

In making this comparison, it is important to note that providers submit figures to DOI based on written policy premiums vs. reporting actual collections on policy premiums to DOR. Therefore, there is limited usefulness in comparing these numbers. The exercise is more to obtain a data reference point rather than a basis for account reconciliation. Premium components such as "municipal taxes" or "finance and service charges" may also be included in data reported to DOI by providers. However, these taxes and fees are not subject to the insurance premium surcharge.

For calendar year 2019, providers reported gross premium totals 5.18% higher to DOR than what they reported to DOI. The Department of Revenue continues to perform further analysis and follow up compliance as deemed warranted. Insurance Premium Surcharge receipts were up by 4.46% for the fiscal year ending June 2019.

If you have any questions or concerns, please contact Josh Hays, Supervisor, Financial Tax Section at (502) 564-9735.

cc: Holly M. Johnson, Secretary
Finance and Administration Cabinet