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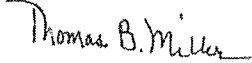
**Holly M. Johnson**  
Secretary


**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 19, 2021

**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 2020, providers reported gross premium totals 3.75% higher to DOR than what they reported to DOI. This percentage is lower than the 5.18% rate for 2019. The Department of Revenue continues to perform further analysis and follow up compliance as deemed warranted. Insurance Premium Surcharge receipts were up by 0.18% for the fiscal year ending June 2020.

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