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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 15, 2024

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.

Note: DOI reported numbers are based on written policy premiums, whereas DOR reports actual policy premium collections. 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, "municipal taxes" are not subject to the insurance premium surcharge.

For calendar year 2023, providers reported 6.12% higher gross premiums to DOR than DOI. This percentage is higher than the 6.00% rate for 2022. DOR continues to perform analysis and compliance as deemed warranted. Insurance Premium Surcharge receipts were up by 10.21% for filing periods in fiscal year ending June 2023.

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