

1 AN ACT relating to regulatory innovations.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. SUBTITLE 53 OF KRS CHAPTER 304 IS ESTABLISHED,  
4 AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

5 *As used in this subtitle, unless the context requires otherwise:*

6 *(1) "Applicable agency" or "applicable agencies" means an agency or agencies in*  
7 *Kentucky that may have applicable regulatory overlap, oversight, or responsibility*  
8 *relative to the particular innovation covered under this subtitle;*

9 *(2) "Applicant" means any person or persons that have filed an application under*  
10 *this subtitle;*

11 *(3) "Artificial intelligence" or "AI" means technology that enables computer*  
12 *systems to accomplish tasks that typically require a human's intelligent behavior;*

13 *(4) (a) "Big data" means unstructured or structured data used to influence or*  
14 *determine underwriting, rating, pricing, forms, marketing, claims handling,*  
15 *and any other applications to innovation.*

16 *(b) For purposes of this subsection:*

17 *1. "Structured data" means data in tables and defined fields; and*

18 *2. "Unstructured data":*

19 *a. Means data that is not in tables and defined fields; and*

20 *b. Includes social media postings, reports, recorded interviews, and*  
21 *pictures, including satellite imaging;*

22 *(5) "Blockchain technology" or "blockchain" has the same meaning as in KRS*  
23 *154.27-010;*

24 *(6) "Client" means a person, other than a consumer, utilizing a participant's*  
25 *innovation during a test to carry on some activity regulated by the department or*  
26 *an applicable agency;*

27 *(7) "Commissioner" means the commissioner of the Kentucky Department of*

1        Insurance;

2        (8) "Cooperation agreement" means any memorandum of understanding or other  
3        agreement that establishes the respective parties, rights, duties, and  
4        responsibilities for any purpose necessary to implement, effectuate, or carry out  
5        any provision of this subtitle between the following:

6        (a) The department and an applicable agency; or

7        (b) The department and as appropriate, an applicable agency and the  
8        supervisory official of a reciprocity jurisdiction;

9        (9) "Cryptocurrency" has the same meaning as in KRS 154.27-010;

10       (10) "Cryptocurrency facility" has the same meaning as in KRS 154.27-010;

11       (11) "Department" means the Kentucky Department of Insurance;

12       (12) "Director" means the director of innovation;

13       (13) "Extended no-action letter" means a public notice setting forth the conditions for  
14       an extended safe harbor beyond the test under which the department and any  
15       applicable agency will not take any administrative or regulatory action against  
16       any person using the innovation described in the extended no-action letter;

17       (14) "Fintech" means innovative products or services that support the provision of  
18       banking or financial services;

19       (15) "Innovation" means any insurance product, process, method, procedure, or  
20       service, or a substantial component thereof:

21       (a) That:

22           1. Uses, applies, or incorporates new or emerging technology, including  
23           insurtech, fintech, blockchain technology, big data, artificial  
24           intelligence, and predictive analytics;

25           2. Develops a new use of existing technology; or

26           3. Provides for a form of delivery;

27        (b) To:

- 1           1. Address a new or emerging risk;  
2           2. Provide a benefit; or  
3           3. Otherwise offer a product, service, business model, delivery  
4           mechanism, or any combination thereof to the public; and  
5           (c) That may have regulatory or statutory barriers that prevent its use, sale,  
6           license, or availability;
- 7           (16) "Insurance portal" means access for placement of coverage through the  
8           regulatory sandbox or regulatory hub;
- 9           (17) "Insurtech" means innovative products or services that support the provision of  
10           insurance services;
- 11           (18) "Interstate innovation compact or memorandum of understanding" means an  
12           interstate compact or memorandum of understanding with one (1) or more  
13           reciprocity jurisdictions that grants reciprocal rights, treatment, or recognition in  
14           the reciprocity jurisdiction to persons subject to Kentucky's jurisdiction in return  
15           for reciprocal rights, treatment, or recognition being granted to persons subject to  
16           the reciprocity jurisdiction in Kentucky's jurisdiction;
- 17           (19) "Kentucky Innovation Council" means the council created under Section 12 of  
18           this Act;
- 19           (20) "Limited no-action letter" means a letter setting forth the conditions of a test and  
20           establishing a safe harbor under which the department and any applicable  
21           agency will not take any administrative or regulatory action against a participant  
22           or a participant's client concerning the compliance of the innovation with  
23           Kentucky law so long as the participant or client abides by the terms and  
24           conditions established in the letter;
- 25           (21) "Participant" means an applicant that has been issued a limited no-action letter  
26           or waiver under this subtitle;
- 27           (22) "Predictive analytics" means the use of big data to forecast future events through

1 techniques that include data mining, statistical modeling, machine learning, and  
2 artificial intelligence;

3 (23) "Reciprocity jurisdiction" means any state or other qualified jurisdiction,  
4 including a jurisdiction located outside of the United States, that has a regulatory  
5 framework for any activity;

6 (a) Regulated under this chapter; or

7 (b) Authorized under this subtitle;

8 (24) "Regulatory hub" means a regulatory initiative where the director coordinates a  
9 person to obtain;

10 (a) Regulatory guidance on regulatory and statutory provisions that may be  
11 applicable to an innovation;

12 (b) The applicable process and approvals required for:

13 1. Use of the insurance portal; or

14 2. Other reciprocity jurisdictions; or

15 (c) Pre-application information prior to application to the regulatory sandbox;

16 (25) "Regulatory sandbox" or "sandbox" means the process and program established  
17 under this subtitle by which a person may apply for:

18 (a) A waiver; or

19 (b) A limited no-action letter, potentially resulting in the issuance of an  
20 extended no-action letter;

21 (26) "Test" means the testing phase of an innovation under a limited no-action letter  
22 in the regulatory sandbox through the use, sale, license, or availability of the  
23 innovation by or to clients or consumers under the supervision of the department  
24 and any applicable agency; and

25 (27) "Waiver" means a document issued under this subtitle that allows a person to  
26 make an innovation available in accordance with Section 5 of this Act.

27 ➔SECTION 2. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304

1 IS CREATED TO READ AS FOLLOWS:

2 *The purpose of this subtitle:*

3 *(1) Is to provide a framework for innovation, and, as necessary, collaboration among*  
 4 *the department and applicable agencies, in Kentucky through a flexible*  
 5 *regulatory regimen and the testing of new products, services, and emerging*  
 6 *technologies, including the adoption of new taxonomy related to blockchain,*  
 7 *smart contracts, cryptocurrency pools, and other emerging technologies and*  
 8 *related risks, by:*

9 *(a) Providing legal and regulatory clarification; and*

10 *(b) Creating a more attractive jurisdiction for persons who aim to do business*  
 11 *in Kentucky; and*

12 *(2) Includes:*

13 *(a) Investment in, and support of, innovation in Kentucky;*

14 *(b) Development of infrastructure and a skilled and knowledgeable workforce*  
 15 *to support innovation that may further contribute to significant business*  
 16 *growth and economic development in Kentucky;*

17 *(c) Recommendation of provisions to modernize statutes and administrative*  
 18 *regulations;*

19 *(d) Provision of innovation to the fullest extent provided in this subtitle;*

20 *(e) Promotion of entrepreneurial development; and*

21 *(f) Encouragement and fostering of a regional innovation marketplace*  
 22 *through formation and participation in any interstate innovation compact*  
 23 *or memorandum of understanding.*

24 ➔SECTION 3. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304

25 IS CREATED TO READ AS FOLLOWS:

26 *(1) Other provisions of law shall not be interpreted to limit the powers granted in this*  
 27 *subtitle.*

1 (2) This subtitle shall be liberally construed to effect the purposes set forth in Section  
 2 2 of this Act, which shall constitute an aid and guide to interpretation.

3 ➔SECTION 4. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 4 IS CREATED TO READ AS FOLLOWS:

5 (1) (a) There shall be a director of innovation within the department, responsible  
 6 for:

7 1. Administering the regulatory sandbox;

8 2. Coordinating with applicable agencies and reciprocity jurisdictions;

9 and

10 3. Implementing the regulatory hub.

11 (b) The director shall be appointed by the secretary of the Public Protection  
 12 Cabinet with the approval of the Governor in accordance with KRS 12.050.

13 (2) The director shall:

14 (a) Review all regulatory sandbox and regulatory hub applications;

15 (b) Coordinate with any other applicable agency or reciprocity jurisdiction as to  
 16 the applications, which shall include initiating and obtaining any  
 17 cooperation agreements or interstate innovation compact or memorandum  
 18 of understanding that would promote or facilitate an application in  
 19 accordance with the purposes of this subtitle;

20 (c) Make recommendations to the commissioner as to any application; and

21 (d) Prior to submitting a final recommendation to the commissioner that, if  
 22 adopted, would be adverse or unfavorable to an applicant:

23 1. Submit to the applicant:

24 a. A draft of the recommendation; and

25 b. The specific reasons why the director proposes to make the  
 26 adverse or unfavorable recommendation;

27 2. Provide the applicant:

- 1                    a. At least ten (10) days to respond to the draft recommendation in  
 2                    writing; and  
 3                    b. The opportunity for an in-person or virtual meeting to discuss  
 4                    the draft recommendation; and  
 5                    3. Take into consideration the response and meeting provided under  
 6                    subparagraph 2. of this paragraph.

7                    ➔SECTION 5. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 8 IS CREATED TO READ AS FOLLOWS:

9                    Notwithstanding any other provision of law:

10                    (1) (a) Any person or persons that make an application under Section 6 of this Act  
 11                    to make an innovation available to clients, consumers, or both clients and  
 12                    consumers may be granted a waiver of specified requirements imposed by  
 13                    statute or administrative regulation, or portions thereof.

14                    (b) A waiver shall be:

15                    1. No broader than necessary to accomplish the purposes set forth in this  
 16                    subtitle, as determined by the department or any applicable agency;  
 17                    and  
 18                    2. Valid for the duration of participation in the regulatory sandbox, not  
 19                    to exceed thirty-six (36) months from the date of the notice of  
 20                    acceptance, unless an extension is granted under paragraph (c) of this  
 21                    subsection.

22                    (c) Extensions may be granted by the commissioner and any applicable agency  
 23                    upon a showing that additional time is needed for regulatory modernization.

24                    (2) (a) Waivers, limited no-action letters, and extended no-action letters shall  
 25                    include any terms, conditions, and limitations that are deemed by the  
 26                    commissioner and any applicable agency to be reasonably appropriate and  
 27                    rationally based to the innovation.

1       **(b) Any waiver granted under this subtitle shall limit an innovation's**  
2       **availability to not more than ten thousand (10,000) clients or consumers,**  
3       **unless:**

4       **1. The waiver is subject to an interstate innovation compact or**  
5       **memorandum of understanding; or**

6       **2. The commissioner and any applicable agency determines, based on**  
7       **the application made under Section 6 of this Act, that a higher**  
8       **number is necessary to facilitate the innovation's success.**

9       **(c) A participant that has been issued a limited no-action letter shall not be**  
10       **subject to any pre-defined limitation other than as required of the**  
11       **participant while in the sandbox.**

12       **(3) An innovation that includes a product or service, or both a product and service,**  
13       **offered to consumers:**

14       **(a) May include such written disclosures in clear and conspicuous form as may**  
15       **be appropriate for the product or service; and**

16       **(b) Shall include:**

17       **1. The name and contact information of the person providing the**  
18       **product or service; and**

19       **2. The contact information for the department and other applicable**  
20       **agencies, including how a consumer may file a complaint with the**  
21       **director regarding the product or service.**

22       **(4) (a) A person may make an application for a license to operate as an innovative**  
23       **insurer.**

24       **(b) An innovative insurer shall be authorized to engage in the following**  
25       **business while operating under a waiver, a limited no-action letter, or an**  
26       **extended no-action letter:**

27       **1. Any insurance, or other activity or contracts, regulated under this**



1                   chapter; or

2                   2. Any other activity or contracts authorized under this subtitle;

3                   (c) An application under this subsection shall be submitted to the commissioner  
4                   in a form prescribed by the commissioner by administrative regulation,  
5                   which shall contain:

6                   1. A business plan and pro forma projections, which shall take into  
7                   account the timeline for development of the innovation and  
8                   projections of business through the period to demonstrate that  
9                   adequate capital, surplus, risk-based capital, and cash flow will be  
10                   available and adequately secured through recognized forms of  
11                   security; and

12                   2. Any additional information necessary to comply with the requirements  
13                   of this subsection and the purposes of the subtitle.

14                   (d) Upon submission of an application under paragraph (c) of this subsection,  
15                   the commissioner may issue a license to the applicant if the applicant:

16                   1. Is organized as a corporation or limited liability company;

17                   2. Has a minimum capital or net worth of one hundred thousand dollars  
18                   (\$100,000); and

19                   3. Maintains minimum capital and free surplus, or other forms of  
20                   security that may include one (1) or a combination of the items listed  
21                   in subsection (2)(a) of Section 7 of this Act, commensurate with its  
22                   business plan and pro forma projected over the life of the applicant's  
23                   sandbox participation.

24                   (e) Within ninety (90) days of expiration of the waiver period or the limited or  
25                   extended no-action letter period, an innovative insurer may convert to any  
26                   other form of insurer authorized under this chapter upon making an  
27                   application to the commissioner, in a form prescribed by the commissioner,

1 and receiving authorization from the commissioner for the conversion.

2 (f) The commissioner shall promulgate administrative regulations to effectuate  
 3 this subsection.

4 ➔SECTION 6. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 5 IS CREATED TO READ AS FOLLOWS:

6 (1) Subject to the provisions of this section, the commissioner and any applicable  
 7 agency may, in accordance with Sections 5 and 13 of this Act, issue a limited no-  
 8 action letter, potentially resulting in the issuance of an extended no-action letter,  
 9 or a waiver, with respect to the specific requirements of any Kentucky law, to an  
 10 applicant subject to that law if the applicant reasonably demonstrates that:

11 (a) Application of Kentucky law would prohibit or restrict:

12 1. The introduction of the innovation;

13 2. A more efficient product or service;

14 3. Development or fulfillment of an emerging risk product or industry;

15 or

16 4. A developing risk product that the applicant intends to offer during  
 17 the period for which the proposed waiver or no-action letter is  
 18 granted;

19 (b) The public policy goals of Kentucky law will be or can be achieved by other  
 20 means; and

21 (c) The waiver or limited no-action letter will not substantially or unreasonably  
 22 increase any risk to clients or consumers.

23 (2) Except as provided in subsection (3) of this section, any person or persons may  
 24 make an application under this section by submitting to the department an  
 25 application form prescribed by the commissioner by administrative regulation  
 26 and accompanied by the following:

27 (a) A filing fee of:

- 1           1. Two hundred fifty dollars (\$250) for a waiver; or
- 2           2. Five hundred dollars (\$500) for a limited no-action letter;
- 3           (b) An explanation of how the innovation will:
- 4           1. Meet the requirements of subsection (1) of this section;
- 5           2. Be economically viable;
- 6           3. Provide suitable client or consumer protection; and
- 7           4. Not pose an unreasonable risk of client or consumer harm that cannot
- 8                           by other means be mitigated or minimized;
- 9           (c) A detailed description of the statutory and regulatory issues, or impediments
- 10                           or uncertainty of the department and any other applicable agency, that may
- 11                           prevent or restrict the innovation from being developed, utilized, issued,
- 12                           sold, solicited, distributed, or advertised in the market or in a manner that
- 13                           addresses the nature of the risk;
- 14           (d) A detailed description of the innovation that the applicant proposes should
- 15                           be permitted by a waiver or a limited no-action letter;
- 16           (e) If the innovation involves the use of software, hardware, fintech, insurtech,
- 17                           AI, big data, blockchain, cryptocurrency, a cryptocurrency facility,
- 18                           predictive analytics, or other technology, a technical white paper setting
- 19                           forth a description of the operation and general content of the innovation,
- 20                           including:
- 21           1. The problem addressed by that technology; and
- 22           2. The interaction between that technology and its users;
- 23           (f) If the innovation involves the issuance of a policy or contract that may
- 24                           constitute insurance or be subject to regulation under this chapter, a
- 25                           statement as to:
- 26           1. The innovation, risk product, or kind of insurance intended to be
- 27                           issued, which may include new and unique forms of insurance or

- 1                   other contracts subject to regulation under this chapter, together with  
2                   noninsurance provisions; and
- 3                   2. The nature of the type or form of insurer or other entity, which may  
4                   include any form of insurer or other entity;
- 5                   (g) The name, contact information, and bar number of the applicant's  
6                   insurance regulatory counsel, which shall be a person with experience  
7                   providing insurance regulatory compliance advice;
- 8                   (h) Proposed terms and conditions to govern the waiver or limited no-action  
9                   letter, which shall include:
- 10                   1. Citation to the provisions of Kentucky law that should be excepted in  
11                   the notice of acceptance issued under Section 7 of this Act; and
- 12                   2. Any request for an extension of the time periods under Section 5 or 9  
13                   of this Act and the grounds for the request; and
- 14                   (i) Any additional information as reasonably required by the commissioner or  
15                   any applicable agency.
- 16                   (3) (a) The following persons shall not be authorized to make an application under  
17                   this section for a limited no-action letter or waiver:
- 18                   1. Any person seeking to sell or license an innovation directly to any  
19                   federal, state, or local government entity, agency, or instrumentality as  
20                   the insured person or end user of the innovation; and
- 21                   2. Any person seeking to make an application that would result in the  
22                   person having more than five (5) active tests ongoing within Kentucky  
23                   at any one (1) time.
- 24                   (b) For the purposes of this subsection, "federal, state, or local government  
25                   entity, agency, or instrumentality" includes any county, city, municipal  
26                   corporation, urban-county government, charter county government,  
27                   consolidated local government, unified local government, special district,

1           special purpose governmental entity, public school district, or public  
2           institution of education.

3           ➔SECTION 7. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
4 IS CREATED TO READ AS FOLLOWS:

5       (1) (a) Unless extended under paragraph (b) of this subsection, the commissioner  
6           and any applicable agency shall issue a notice of acceptance or rejection in  
7           accordance with this section within sixty (60) days from the date an  
8           application under Section 6 of this Act is received.

9           (b) The commissioner and any applicable agency may extend by not more than  
10           thirty (30) days the period provided in paragraph (a) of this subsection if the  
11           applicant is notified before expiration of the initial sixty (60) day period.

12           (c) An application that has not been accepted or rejected by a notice of  
13           acceptance or rejection issued by the commissioner and any applicable  
14           agency prior to expiration of the initial sixty (60) day period, or if  
15           applicable, the period provided in paragraph (b) of this subsection, shall be  
16           deemed accepted.

17       (2) The director and any applicable agency may request from the applicant:

18           (a) A form or forms of security in an amount and subject to such conditions  
19           and for such purposes as the commissioner or applicable agencies may  
20           reasonably determine is necessary for the protection of clients or  
21           consumers, which may include one (1) or a combination of any of the  
22           following:

23           1. A contractual liability insurance policy;

24           2. A surety bond issued by an authorized surety;

25           3. Securities of the type eligible for deposit by authorized insurers in this  
26           state;

27           4. Evidence that the applicant has established an account payable to the

1                   commissioner in a federally insured financial institution in this state  
2                   and has deposited money of the United States in an amount equal to  
3                   the amount required by this paragraph that is not available for  
4                   withdrawal, except by direct order of the commissioner;

5                   5. A letter of credit issued by a qualified United States financial  
6                   institution as defined in KRS 304.9-700; or

7                   6. Another form of security authorized by the commissioner; and

8                   (b) Any additional material or information necessary to evaluate the  
9                   application.

10                  (3) The director shall review the application to:

11                  (a) Identify and assess:

12                   1. The potential risks to clients or consumers, if any, posed by the  
13                   innovation; and

14                   2. The manner in which the innovation would be offered or provided;  
15                   and

16                  (b) Determine whether it satisfies the following requirements:

17                   1. The application satisfies the requirements of subsection (2)(b)1. to 4.  
18                   of Section 6 of this Act;

19                   2. The application proposes an innovation;

20                   3. Approval of the application does not pose an unreasonable risk of  
21                   consumer harm; and

22                   4. The application identifies statutory or regulatory requirements that  
23                   actually prevent the innovation from being utilized, issued, sold,  
24                   solicited, distributed, or advertised in Kentucky.

25                  (4) Upon review of the application and receipt of the recommendation from the  
26                  director, the commissioner and any applicable agency shall, in their reasonable  
27                  discretion, which shall be rationally based, issue one (1) of the following:

1 (a) If the commissioner and any applicable agency determines that the  
2 application fails to satisfy any of the requirements under subsection (3)(b)  
3 of this section:

4 1. A notice of rejection to the applicant; and

5 2. A description in the notice of rejection of the specific defects in the  
6 application; or

7 (b) If the commissioner and any applicable agency determines that the  
8 application satisfies the requirements of subsection (3)(b) of this section, a  
9 notice of acceptance to the applicant. The notice of acceptance shall:

10 1. Set forth the terms and conditions that will govern the applicant's  
11 waiver or test, which shall include, at a minimum:

12 a. Requiring the applicant to:

13 i. Abide by all Kentucky laws, except where explicitly  
14 excepted; and

15 ii. Utilize the innovation within Kentucky or in accordance  
16 with any cooperation agreement or interstate innovation  
17 compact or memorandum of understanding;

18 b. Notice of any agent licenses required to be obtained in  
19 connection with the waiver or prior to commencement of the test;

20 c. Consumer protection measures deemed necessary by the  
21 commissioner or any applicable agency to be employed by the  
22 applicant;

23 d. The level of financial stability required. The commissioner and  
24 any applicable agency may decrease or waive the requirements  
25 for financial stability requested under subsection (2)(a) of this  
26 section, commensurate with the risk of client or consumer harm  
27 posed by the innovation;

- 1                    *e. Permitted conduct under the waiver or limited no-action letter;*  
 2                    *and*  
 3                    *f. Any limits established by the commissioner and any applicable*  
 4                    *agency under Section 5 of this Act; and*  
 5                    *2. Provide that the notice of acceptance shall expire unless:*  
 6                    *a. It is accepted by the applicant in writing; and*  
 7                    *b. The applicant's acceptance is filed with the department within*  
 8                    *sixty (60) days of issuance of the notice of acceptance.*

- 9                    *(5) An applicant may request a hearing pursuant to KRS 304.2-310 on:*  
 10                    *(a) A notice of rejection; and*  
 11                    *(b) A notice of acceptance, if the request is made prior to its expiration.*

12                    ➔SECTION 8. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 13 IS CREATED TO READ AS FOLLOWS:

- 14                    *(1) Within ten (10) days following the timely receipt of an applicant's acceptance*  
 15                    *pursuant to subsection (4)(b)2. of Section 7 of this Act, the commissioner and any*  
 16                    *applicable agency shall issue a waiver or a limited no-action letter that:*  
 17                    *(a) Sets forth terms and conditions for the participant that are the same as*  
 18                    *those set forth in the notice of acceptance issued under subsection (4)(b) of*  
 19                    *Section 7 of this Act; and*  
 20                    *(b) Provides that so long as the participant and any clients of the participant*  
 21                    *abide by the terms and conditions set forth in the waiver or limited no-*  
 22                    *action letter, no administrative or regulatory action concerning compliance*  
 23                    *of the innovation with Kentucky law will be taken by the commissioner and*  
 24                    *any applicable agency against the participant or any clients during the term*  
 25                    *of the test.*  
 26                    *(2) If the application is deemed accepted under subsection (1)(c) of Section 7 of this*  
 27                    *Act, the proposed waiver or limited no-action letter included with the application*



1 shall be deemed to have the effect of a waiver or limited no-action letter issued by  
 2 the commissioner.

3 (3) The safe harbor of a limited no-action letter shall remain in effect until the  
 4 earlier of:

5 (a) The early termination of the test under Section 9 of this Act;

6 (b) The issuance of an extended no-action letter; or

7 (c) The issuance of a notice declining to issue an extended no-action letter.

8 (4) A waiver or limited no-action letter issued by the commissioner and any  
 9 applicable agency under this section shall be exempt from the application of KRS  
 10 13A.130.

11 (5) The commissioner and any applicable agency shall publish any waiver or limited  
 12 no-action letter issued pursuant to this section on the department's and the  
 13 agency's Web site.

14 ➔SECTION 9. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 15 IS CREATED TO READ AS FOLLOWS:

16 (1) (a) Except as provided in paragraph (b) of this subsection, the time period for a  
 17 test shall be not less than twenty-four months (24) or more than thirty-six  
 18 (36) months.

19 (b) The maximum time period in paragraph (a) of this subsection may be  
 20 extended by the commissioner and any applicable agency in the notice of  
 21 acceptance for a period that is not longer than one (1) year if a request is  
 22 made in accordance with subsection (2)(h)2. of Section 6 of this Act.

23 (2) During the test, the participant and any clients of the participant shall:

24 (a) Comply with all terms and conditions set forth in the limited no-action  
 25 letter; and

26 (b) Provide the department and any applicable agency with all documents, data,  
 27 and information requested by the commissioner and the applicable agency.

1 (3) (a) For any violation of the terms or conditions set forth in the limited no-  
2 action letter, the commissioner and any applicable agency may:

3 1. Either:

4 a. Modify the terms and conditions of the limited no-action letter;

5 or

6 b. Issue an order terminating the test and the safe harbor of the  
7 limited no-action letter before the time period set forth in the  
8 limited no-action letter has expired; and

9 2. Impose a fine of not more than two hundred fifty dollars (\$250) per  
10 violation if the participant has failed to reasonably cure the violation  
11 or provide a written plan to remediate the violation within sixty (60)  
12 days of receipt of a violation determination from the commissioner  
13 and any applicable agency.

14 (b) The commissioner and any applicable agency may also issue an order  
15 under paragraph (a)1. of this subsection if, following receipt of information  
16 or complaints, the commissioner and any applicable agency determines the  
17 test is causing consumer harm.

18 (4) (a) The commissioner and any applicable agency may issue an order requiring  
19 a client to cease and desist any activity violating the terms or conditions set  
20 forth in a limited no-action letter.

21 (b) The issuance of a cease and desist order to one (1) client shall not otherwise  
22 impact the ability of the participant or any other clients to continue  
23 activities relating to the innovation in a manner compliant with the  
24 requirements of the limited no-action letter.

25 (5) A participant or client may request a hearing on any order issued under this  
26 section pursuant to KRS 304.2-310.

27 ➔SECTION 10. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304

1 IS CREATED TO READ AS FOLLOWS:

2 (1) As used in this section, "innovation's utility" means an evaluation of the  
3 innovation's ability to adequately satisfy the factors set forth in subsection (2)(b)  
4 of Section 6 of this Act.

5 (2) (a) Within sixty (60) days of completion of a test, unless the time period is  
6 extended up to thirty (30) days upon notice from the commissioner and any  
7 applicable agency, the commissioner and any applicable agency shall issue  
8 an extended no-action letter or a notice declining to issue an extended no-  
9 action letter.

10 (b) The participant may continue to employ the insurance innovation pursuant  
11 to the terms and conditions of the limited no-action letter during the period  
12 between the completion of the test and the issuance of either an extended  
13 no-action letter or a notice declining to issue an extended no-action letter.

14 (3) The commissioner and any applicable agency shall review the results of the test  
15 to determine whether the innovation satisfies the following requirements:

16 (a) The data presented demonstrates that the innovation's utility was  
17 meritorious of an extension;

18 (b) Regulatory and statutory barriers prevent continued use of the innovation  
19 within Kentucky;

20 (c) If applicable, the innovation provided a benefit to Kentucky consumers; and

21 (d) The issuance of an extended no-action letter:

22 1. Presents no risk of unreasonable harm to consumers or the  
23 marketplace; and

24 2. Serves the public interest.

25 (4) Upon review of the results of the test, the commissioner and any applicable  
26 agency shall, in their reasonable discretion, which shall be rationally based, issue  
27 one (1) of the following:

1 (a) If the commissioner and any applicable agency determines that the  
2 innovation fails to satisfy any of the requirements under subsection (3) of  
3 this section, they shall:

4 1. Issue a notice declining to issue an extended no-action letter;

5 2. Describe in the notice the reasons for the declination;

6 3. Notify the participant of the notice; and

7 4. Publish the notice on the department's and agency's Web site; or

8 (b) If the commissioner and any applicable agency determines that the  
9 innovation satisfies the requirements under subsection (3) of this section,  
10 they shall issue an extended no-action letter. An extended no-action letter  
11 issued by the commissioner and any applicable agency shall include:

12 1. A description of the insurance innovation and the specific conduct  
13 permitted by the extended no-action letter in sufficient detail to enable  
14 any person to use the innovation or a product, process, method, or  
15 procedure not substantially different from the innovation within the  
16 safe harbor of the extended no-action letter;

17 2. Notice of any certificate of authority, license, or permit the  
18 commissioner determines is necessary to use, sell, or license the  
19 innovation, or make the innovation available, in Kentucky;

20 3. An expiration date not greater than three (3) years following the date  
21 of issuance;

22 4. Notice that the extended no-action letter may:

23 a. Only be modified by:

24 i. Promulgation of an administrative regulation, if the safe  
25 harbor addresses a requirement established by  
26 administrative regulation; or

27 ii. An act of the General Assembly; and

1                   **b. Be rescinded prior to its expiration if the commissioner or any**  
 2                   **applicable agency receives complaints and the commissioner and**  
 3                   **any applicable agency determine that continued activity poses a**  
 4                   **risk of harm to consumers;**

5                   **5. Clarification of required procedures related to the issuance and**  
 6                   **cancellation of any policies of insurance or other contracts, if**  
 7                   **applicable, due to the expiration period; and**

8                   **6. Notice that, upon expiration, all persons relying on the extended no-**  
 9                   **action letter shall cease and desist operations related to the innovation**  
 10                   **unless changes have been made to Kentucky law to permit the**  
 11                   **innovation by:**

12                   **a. The promulgation of an administrative regulation, if the safe**  
 13                   **harbor address a requirement established by administrative**  
 14                   **regulation; or**

15                   **b. An act of the General Assembly.**

16                   **(5) A hearing on a notice of declination may be requested in accordance with KRS**  
 17                   **304.2-310.**

18                   **(6) An extended no-action letter issued by the commissioner and any applicable**  
 19                   **agency pursuant to this section shall be:**

20                   **(a) Exempt from the application of KRS 13A.130; and**

21                   **(b) Published on the department's and agency's Web site.**

22                   **➔SECTION 11. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304**  
 23                   **IS CREATED TO READ AS FOLLOWS:**

24                   **(1) All documents, materials, or other information in the possession or control of the**  
 25                   **department or an applicable agency that are created, produced, obtained, or**  
 26                   **disclosed in relation to this subtitle and that relate to the financial condition of**  
 27                   **any person shall be confidential and shall not be subject to public disclosure**

1 pursuant to the Kentucky Open Records Act, KRS 61.870 to 61.884.

2 (2) Notwithstanding any law to the contrary, the commissioner and any applicable  
 3 agency may disclose in an extended no-action letter any information relating to  
 4 the innovation necessary to clearly establish the safe harbor of the extended no-  
 5 action letter.

6 ➔SECTION 12. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 7 IS CREATED TO READ AS FOLLOWS:

8 (1) There is hereby created and established a Kentucky Innovation Council.

9 (2) The purpose of the council is to:

10 (a) Promote entrepreneurial development;

11 (b) Support innovation, investment, and job creation within Kentucky by  
 12 encouraging participation in the regulatory sandbox;

13 (c) Provide industry and consumer input to support and develop the purposes  
 14 of this subtitle; and

15 (d) Collaborate with other similar advisory councils.

16 (3) The council is:

17 (a) Empowered to recommend standards, principles, guidelines, and policy  
 18 priorities for the types of innovations that the regulatory sandbox will  
 19 support and other innovative provisions as set forth in this subtitle; and

20 (b) Shall:

21 1. Review and discuss:

22 a. The programs created under this subtitle;

23 b. Methods to effectuate the purposes of the subtitle;

24 c. Administrative regulations promulgated under this subtitle; and

25 d. Other issues at the request of the commissioner; and

26 2. Make recommendations:

27 a. Regarding applicable agency collaboration and cooperation

- 1                   under this subtitle;
- 2           **b. Regarding the marketing of:**
- 3                   **i. Kentucky's regulatory sandbox, regulatory hub, and**
- 4                   **insurance portal; and**
- 5                   **ii. The benefits of Kentucky as a domicile state or jurisdiction**
- 6                   **for innovation and conducting business; and**
- 7           **c. To the Interim Joint Committee on Banking and Insurance**
- 8                   **regarding improvements to this chapter to develop Kentucky as**
- 9                   **an insurance and financial center.**

10 **(4) The council shall consist of the following members:**

11 **(a) Three (3) or more regulatory members, which shall include:**

- 12                   **1. The commissioner, who shall serve as chair of the council;**
- 13                   **2. The commissioner of the Department of Financial Institutions; and**
- 14                   **3. Representatives of other applicable agencies; and**

15 **(b) The following persons, who shall each serve two (2) year terms:**

- 16                   **1. Three (3) persons appointed by the commissioner; and**
- 17                   **2. Two (2) persons appointed by the commissioner of the Department of**
- 18                   **Financial Institutions.**

19 **(5) The first meeting of the council shall take place within thirty (30) days of the**

20 **appointment of all the members.**

21 **(6) (a) The council shall meet at least quarterly, and may meet more frequently**

22 **upon the call of the commissioner.**

23 **(b) A majority of the members shall constitute a quorum.**

24 **(c) Recommendations of the council shall require a majority of the members**

25 **present, which shall include participation through distance communication**

26 **technology, and eligible to vote.**

27 **(7) The council shall be a budgetary unit of the department, which shall:**

- 1        (a) Pay all of the council's necessary operating expenses; and  
 2        (b) Furnish all office space, personnel, equipment, supplies, and technical or  
 3            administrative services required by the council in the performance of the  
 4            functions established in this section.

- 5        (8) Members of the council, except the members serving under subsection (4)(a) of  
 6            this section, shall receive no compensation for service, but shall receive actual  
 7            and necessary travel expenses associated with attending meetings, which shall be  
 8            in accordance with state administrative regulations relating to travel  
 9            reimbursement.

10        ➔SECTION 13. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 11        IS CREATED TO READ AS FOLLOWS:

- 12        (1) The commissioner and other applicable agencies shall, by administrative  
 13            regulation or cooperation agreement:

- 14            (a) Adopt uniform procedures for the administration of this subtitle; and  
 15            (b) Be authorized to attach reasonable conditions or limitations on conduct  
 16            permitted under this subtitle.

- 17        (2) The uniform procedures required under subsection (1) of this section shall  
 18            establish requirements for:

- 19            (a) The regulatory sandbox application process, which shall include:  
 20                    1. A process for coordinating the review and processing of applications;  
 21                    and  
 22                    2. An expedited application process for an innovation that is  
 23                    substantially similar to one for which a waiver or limited no-action  
 24                    letter has been previously granted by the commissioner and any  
 25                    applicable agency;

- 26            (b) Ongoing monitoring, examination, and supervision of, and reporting by,  
 27            sandbox participants;



1 (c) Use and implementation of the insurance portal and regulatory hub; and

2 (d) Coordination among applicable agencies.

3 (3) The commissioner and other applicable agencies shall consult with the Kentucky  
 4 Innovation Council to receive input on recommendations for improvement in the  
 5 purposes, process, procedure, and application of this subtitle.

6 ➔SECTION 14. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
 7 IS CREATED TO READ AS FOLLOWS:

8 (1) (a) The commissioner and as appropriate, other applicable agencies shall enter  
 9 into any cooperation agreement, or interstate innovation compact or  
 10 memorandum of understanding, necessary to carry out the purposes of this  
 11 subtitle.

12 (b) At a minimum, a cooperation agreement, or interstate innovation compact  
 13 or memorandum of understanding, with any reciprocity jurisdiction shall be  
 14 considered necessary to carry out the purposes of this subtitle if the  
 15 jurisdiction:

16 1. Provides protections substantially similar to or greater than the  
 17 requirements of this subtitle;

18 2. Is on the National Association of Insurance Commissioners' list of  
 19 reciprocal jurisdictions; or

20 3. Is in good standing with the National Association of Insurance  
 21 Commissioners as a qualified jurisdiction.

22 (2) Notice of any interstate innovation compact or memorandum of understanding,  
 23 or cooperation agreement, including any amendments thereto, shall be set forth  
 24 in a bulletin or other notice, which shall be available on the department's and  
 25 agency's Web site.

26 (3) The commissioner and any applicable agency may accept documentation in  
 27 accordance with:

1 (a) An interstate innovation compact or memorandum of understanding; and

2 (b) A cooperation agreement.

3 (4) When effectuating and carrying out the requirements of this subtitle, including  
4 the review and acceptance of applications, the commissioner and any applicable  
5 agency shall:

6 (a) Consider:

7 1. Implementation of any interstate innovation compact or memorandum  
8 of understanding, or cooperation agreement, to carry out the purposes  
9 of this subtitle, particularly with respect to a regional marketplace;  
10 and

11 2. The appropriateness of any interstate innovation compact or  
12 memorandum of understanding, or cooperation agreement, with  
13 jurisdictions on the National Association of Insurance  
14 Commissioners' list of qualified jurisdictions to carry out the purpose  
15 of establishing Kentucky as a financial and insurance center for  
16 innovation; and

17 (b) Consult with each other and reciprocity jurisdictions, through the director:

18 1. As part of the implementation of the regulatory hub and the insurance  
19 portal; and

20 2. For determinations referenced under paragraph (a) of this subsection.

21 (5) The commissioner and any applicable agency may furnish, upon request, any  
22 information to the insurance supervisory official of any state, province, or  
23 country:

24 (a) That assists the implementation of this subtitle; or

25 (b) To communicate or collaborate with the official in connection with  
26 applications or access to the regulatory sandbox, the regulatory hub, or the  
27 insurance portal.

1           ➔SECTION 15. A NEW SECTION OF SUBTITLE 53 OF KRS CHAPTER 304  
2 IS CREATED TO READ AS FOLLOWS:

3 (1) One hundred twenty days (120) prior to the start of each regular session, the  
4 commissioner shall submit a written report to the Interim Joint Committee on  
5 Banking and Insurance that meets the requirements of subsection (2) of this  
6 section.

7 (2) The report shall include the following:

8 (a) The number of:

9           1. Applications filed, abandoned, accepted, and rejected;

10           2. Tests conducted;

11           3. Waivers, limited no-action letters, and extended no-action letters  
12           issued;

13           4. Interstate innovation compacts or memorandums of understanding  
14           entered; and

15           5. Cooperation agreements entered;

16 (b) A summary of the operation of the regulatory sandbox, the regulatory hub,  
17 and the insurance portal, including a description of:

18           1. The applications filed, abandoned, accepted, and rejected;

19           2. Tests conducted; and

20           3. Innovations made available;

21 (c) A description of the interstate innovation compacts or memorandums of  
22 understanding and cooperation agreements requested, entered, or amended;

23 (d) The number and types of orders or other actions taken by the commissioner  
24 and any applicable agency under the subtitle;

25 (e) Identification of any statutory barriers for consideration of amendment by  
26 the General Assembly:

27           1. Following successful waivers, tests, and issuance of limited and

- 1                   extended no-action letters; and  
 2                   2. Necessary to further the purposes of the subtitle; and  
 3                   (f) Any other information or recommendations deemed relevant by the  
 4                   commissioner and any applicable agency.  
 5                   (3) The commissioner shall also provide the Interim Joint Committee on Banking  
 6                   and Insurance a detailed briefing, upon request, to discuss and explain any  
 7                   report submitted under this section.

8                   ➔Section 16. KRS 304.10-030 is amended to read as follows:

9                   As used in this subtitle:

- 10                  (1) "Admitted insurer" means an insurer that is licensed or authorized to transact the  
 11                  business of insurance in Kentucky;  
 12                  (2) "Affiliate" means, with respect to an insured, any entity that controls, is controlled  
 13                  by, or is under common control with the insured;  
 14                  (3) "Broker" means a surplus lines broker duly licensed as such under this subtitle;  
 15                  (4) "Domestic surplus lines insurer" means a domestic insurer that meets all of the  
 16                  following requirements:  
 17                  (a) The board of directors of the insurer has adopted a resolution seeking  
 18                  certification as a domestic surplus lines insurer;  
 19                  (b) The commissioner has approved the certification described in paragraph (a)  
 20                  of this subsection;  
 21                  (c) The insurer is already eligible to offer surplus lines insurance in at least  
 22                  one (1) other state; and  
 23                  (d) The insurer is authorized to do business under Subtitle 24 of this chapter;  
 24                  (5) "Exempt commercial purchaser" means any person purchasing commercial  
 25                  insurance that, at the time of placement, meets the following requirements:  
 26                  (a) The person employs or retains a qualified risk manager to negotiate insurance  
 27                  coverage;

- 1 (b) The person has paid aggregate nationwide commercial property and casualty  
2 insurance premium in excess of one hundred thousand dollars (\$100,000) in  
3 the immediately preceding twelve (12) months;
- 4 (c) 1. The person meets at least one (1) of the following criteria:
- 5 a. The person possesses a net worth in excess of twenty million  
6 dollars (\$20,000,000), adjusted pursuant to subparagraph 2. of this  
7 paragraph;
- 8 b. The person generates annual revenues in excess of fifty million  
9 dollars (\$50,000,000), as adjusted pursuant to subparagraph 2. of  
10 this paragraph;
- 11 c. The person employs more than five hundred (500) full-time or full-  
12 time equivalent employees per individual insured or is a member  
13 of an affiliated group employing more than one thousand (1,000)  
14 employees in the aggregate;
- 15 d. The person is a not-for-profit organization or public entity  
16 generating annual budgeted expenditures of at least thirty million  
17 dollars (\$30,000,000), adjusted pursuant to subparagraph 2. of  
18 this paragraph; or
- 19 e. The person is a municipality with a population in excess of fifty  
20 thousand (50,000) persons.
- 21 2. Effective on the fifth January 1 occurring after July 12, 2012, and each  
22 fifth January 1 occurring thereafter, the amounts in subparagraph 1.a., b.,  
23 and d. of this paragraph shall be adjusted to reflect the percentage  
24 change for the five (5) year period in the consumer price index for all  
25 urban consumers published by the Bureau of Labor Statistics of the  
26 Department of Labor;
- 27 ~~(6)~~(5) To "export" means to place in an unauthorized insurer under this Surplus

1 Lines Law insurance covering a subject of insurance resident, located, or to be  
2 performed in Kentucky;

3 ~~(7)~~ "Home state" means:

4 (a) 1. The state in which an insured maintains its principal place of business  
5 or, in the case of an individual, the individual's principal residence; or  
6 2. If one hundred percent (100%) of the insured risk is located out of the  
7 state referred to in subparagraph 1. of this paragraph, the state to which  
8 the greatest percentage of the insured's taxable premium for that  
9 insurance contract is allocated; or

10 (b) If more than one (1) insureds from an affiliated group are named insureds on a  
11 single nonadmitted insurance contract, the home state, as determined pursuant  
12 to paragraph (a) of this section, of the member of the affiliated group that has  
13 the largest percentage of premium attributed to it under the insurance contract;

14 ~~(8)~~ "Nonadmitted insurance" means:

15 (a) Any property and casualty insurance permitted to be placed directly or through  
16 a surplus lines broker with a nonadmitted insurer or a domestic surplus lines  
17 insurer eligible to accept the insurance; and

18 (b) Any health and life insurance providing disability coverage:

19 1. With policy limits in excess of those available from an admitted insurer;  
20 2. With participation limits; or  
21 3. Insuring occupations for which coverage is not procurable through an  
22 admitted insurer;

23 ~~(9)~~ "Nonadmitted insurer" means an insurer that is not authorized or admitted to  
24 transact the business of insurance in Kentucky; and

25 ~~(10)~~ "Surplus lines" means:

26 (a) Nonadmitted insurance sold to, solicited by, or negotiated with an insured  
27 whose home state is Kentucky.

1           ➔Section 17. KRS 304.10-040 is amended to read as follows:

- 2       (1) Surplus Lines may be procured from a nonadmitted insurer **or a domestic surplus**  
3       **lines insurer** subject to the following conditions:
- 4           (a) The insurance shall be procured through a licensed surplus lines broker;
- 5           (b) After a diligent effort, a licensed agent with property and casualty lines of  
6           authority, or with health and life lines of authority if procuring disability  
7           insurance, has been unable to procure the full amount of insurance required  
8           from an insurer that is authorized to transact, and that actually writes, that  
9           kind and class of insurance in this state. If the licensed agent is able to procure  
10          an amount of insurance less than the full amount, only the excess amount  
11          needed to procure the full amount shall be exported;
- 12          (c) The insurance shall not be exported for the sole purpose of securing either:
- 13               1. A lower premium rate than would be accepted by an authorized insurer;
- 14               or
- 15               2. More advantageous terms of the insurance contract.
- 16       (2) The requirements of subsection (1) of this section related to a diligent effort shall  
17       not be required for coverage procured or placed for an exempt commercial  
18       purchaser if:
- 19           (a) The broker procuring or placing the surplus lines insurance has disclosed to  
20           the exempt commercial purchaser that insurance may or may not be available  
21           from the admitted market that may provide greater protection with more  
22           regulatory oversight; and
- 23           (b) The exempt commercial purchaser has subsequently requested in writing that  
24           the broker procure or place insurance from a nonadmitted insurer **or a**  
25           **domestic surplus lines insurer.**

26           ➔Section 18. KRS 304.2-120 is amended to read as follows:

- 27       (1) **(a)** In general, orders and notices of the commissioner shall be issued in

1           accordance with this chapter.

2           **(b)** Notices, recommended orders, and final orders issued as a result of an  
3           administrative hearing shall be issued in accordance with KRS Chapter 13B.

4           (2) Orders and notices of the commissioner shall be effective only when in writing  
5           signed by the commissioner or by the commissioner's authority.

6           (3) Every order of the commissioner shall state its effective date and shall concisely  
7           state:

8           (a) Its intent or purpose;

9           (b) The grounds on which it is based;

10          (c) The provisions of this code under which action is taken or proposed to be  
11          taken; and

12          (d) All other matters required by law.

13          (4) **(a)** All persons holding licenses or certificates of authority from the commissioner  
14          shall maintain current residence, business, home office, and administrative  
15          addresses, as applicable, on file with the commissioner.

16          **(b)** Licensees shall inform the commissioner, **either** in writing **or electronically**,  
17          in a format acceptable to the commissioner, of any change in addresses or  
18          legal name within thirty (30) days of the change.

19          **(c) Except as provided in paragraph (d) of this subsection**, as a condition to  
20          holding a license or certificate of authority from the commissioner, persons  
21          holding licenses or certificate of authority are deemed to have consented to  
22          service of notices and orders of the commissioner at their addresses on file  
23          with the commissioner and any notice or order of the commissioner mailed or  
24          delivered to the address on file with the commissioner constitutes valid  
25          service of notice or order.

26          **(d) Notices and orders of the commissioner shall, in addition to any service at**  
27          **the physical address, also be sent to any of the certificate holder's or**



1                   licensee's electronic addresses, including emails, on file with the  
2                   commissioner.

3                   ➔Section 19. KRS 304.1-120 is amended to read as follows:

4                   No provision of this code shall apply to:

5                   (1) Fraternal benefit societies (as identified in Subtitle 29), except as stated in Subtitle  
6                   29.

7                   (2) Nonprofit hospital, medical-surgical, dental, and health service corporations (as  
8                   identified in Subtitle 32) except as stated in Subtitle 32.

9                   (3) Burial associations (as identified in KRS Chapter 303), except as stated in Subtitle  
10                   31.

11                   (4) Assessment or cooperative insurers (as identified in KRS Chapter 299), except as  
12                   stated in KRS Chapter 299.

13                   (5) Insurance premium finance companies (as identified in Subtitle 30), except as stated  
14                   in Subtitle 30.

15                   (6) Qualified organizations which issue charitable gift annuities within the  
16                   Commonwealth of Kentucky. For the purposes of this subsection:

17                   (a) A "qualified organization" means one which is:

18                   1. Exempt from taxation under Section 501(c)(3) of the Internal Revenue  
19                   Code as a charitable organization, if it files a copy of federal form 990  
20                   with the Division of Consumer Protection in the Office of the Attorney  
21                   General; or

22                   2. Exempt from taxation under Section 501(c)(3) of the Internal Revenue  
23                   Code as a religious organization; or

24                   3. Exempt as a publicly owned or nonprofit, privately endowed educational  
25                   institution approved or licensed by the State Board of Education, the  
26                   Southern Association of Colleges and Schools, or an equivalent public  
27                   authority of the jurisdiction where the institution is located; and

1 (b) A "charitable gift annuity" means a giving plan or method by which a gift of  
2 cash or other property is made to a qualified organization in exchange for its  
3 agreement to pay an annuity.

4 (7) A religious organization, as identified in this subsection, or its participants, that:

5 (a) Is a nonprofit religious organization;

6 (b) Is limited to participants who are members of the same denomination or  
7 religion;

8 (c) Matches its participants who have financial, physical, or medical needs with  
9 participants who choose to assist with those needs;

10 (d) 1. Includes the following notice for delivery to all participants, printed in  
11 not less than ten (10) point, bold-faced type on or accompanying all  
12 applications, guideline materials, or any similar documents:

13 "NOTICE: UNDER KENTUCKY LAW, THE RELIGIOUS  
14 ORGANIZATION FACILITATING THE SHARING OF MEDICAL  
15 EXPENSES IS NOT AN INSURANCE COMPANY, AND ITS  
16 GUIDELINES, PLAN OF OPERATION, OR ANY OTHER  
17 DOCUMENT OF THE RELIGIOUS ORGANIZATION DO NOT  
18 CONSTITUTE OR CREATE AN INSURANCE POLICY.  
19 PARTICIPATION IN THE RELIGIOUS ORGANIZATION OR A  
20 SUBSCRIPTION TO ANY OF ITS DOCUMENTS SHALL NOT BE  
21 CONSIDERED INSURANCE. ANY ASSISTANCE YOU RECEIVE  
22 WITH YOUR MEDICAL BILLS WILL BE TOTALLY VOLUNTARY.  
23 NEITHER THE ORGANIZATION OR ANY PARTICIPANT SHALL  
24 BE COMPELLED BY LAW TO CONTRIBUTE TOWARD YOUR  
25 MEDICAL BILLS. WHETHER OR NOT YOU RECEIVE ANY  
26 PAYMENTS FOR MEDICAL EXPENSES, AND WHETHER OR  
27 NOT THIS ORGANIZATION CONTINUES TO OPERATE, YOU

1                   SHALL BE PERSONALLY RESPONSIBLE FOR THE PAYMENT  
2                   OF YOUR MEDICAL BILLS."

3                   2. A participant shall acknowledge receipt of the "Notice" by signing  
4                   below the "Notice" on the application;

5                   (e) Suggests amounts to give that are voluntary among the participants, with no  
6                   assumption of risk or promise to pay either among the participants or between  
7                   the participants and the organization.

8                   (8) A public or private ambulance service licensed and regulated by the Cabinet for  
9                   Health and Family Services to the extent that it solicits membership subscriptions,  
10                  accepts membership applications, charges membership fees, and furnishes prepaid  
11                  or discounted ambulance services to subscription members and designated members  
12                  of their households.

13                  (9) A direct primary care agreement established under KRS 311.6201, 311.6202,  
14                  314.198, and 314.199.

15                  **(10) Transactions and insurers authorized under Subtitle 53, except as stated in**  
16                  **Subtitle 53.**

17                  ➔Section 20. KRS 304.11-030 is amended to read as follows:

18                  (1) It shall be unlawful for any company to enter into a contract of insurance as an  
19                  insurer or to transact insurance business in this state, as set forth in subsection (2) of  
20                  this section without a certificate of authority from the commissioner, except;  
21                  ~~provided, that~~ this subsection shall not apply to:

22                  (a) The lawful transaction of surplus lines insurance;

23                  (b) The lawful transaction of reinsurance by insurers;

24                  (c) Transactions in this state involving a policy lawfully solicited, written, and  
25                  delivered outside of this state covering only subjects of insurance not resident,  
26                  located, or expressly to be performed in this state at the time of issuance, and  
27                  which transactions are subsequent to the issuance of such policy;

- 1 (d) Transactions involving contracts of insurance independently procured through  
2 negotiations occurring entirely outside of this state which are reported and on  
3 which premium tax is paid;
- 4 (e) Attorneys acting in the ordinary relation of attorney and client in the  
5 adjustment of claims or losses;
- 6 (f) Transactions in this state involving group life and group health or blanket  
7 health insurance or group annuities where the master policy of such groups  
8 was lawfully issued and delivered in a state in which the company was  
9 authorized to do an insurance business;
- 10 (g) Transactions in this state involving any policy of insurance issued prior to July  
11 1, 1968;~~and~~
- 12 (h) Insurance on vessels, craft or hulls, cargoes, marine builder's risk, marine  
13 protection and indemnity or other risk, including strikes and war risks  
14 commonly insured under ocean or wet marine forms of policy; **and**
- 15 **(i) Transactions involving insurance contracts placed through the insurance**  
16 **portal, as defined in Section 1 of this Act.**
- 17 (2) Any of the following acts in this state effected by mail or otherwise is defined to be  
18 doing an insurance business in this state. The venue of an act committed by mail is  
19 at the point where the matter transmitted by mail is delivered and takes effect.  
20 Unless otherwise indicated, the term "insurer" as used in this section includes all  
21 corporations, associations, partnerships, and individuals, engaged as principals in  
22 the business of insurance and also includes interinsurance exchanges and mutual  
23 benefit societies:
- 24 (a) The making of or proposing to make, as an insurer, an insurance contract;
- 25 (b) The making of or proposing to make, as guarantor or surety, any contract of  
26 guaranty or suretyship as a vocation and not merely incidental to any other  
27 legitimate business or activity of the guarantor or surety;

- 1 (c) The taking or receiving of any application for insurance;
- 2 (d) The receiving or collection of any premiums, commissions, membership fees,  
3 assessments, dues or other consideration for any insurance or any part thereof;
- 4 (e) The issuance or delivery of contracts of insurance to residents of this state or  
5 to persons authorized to do business in this state;
- 6 (f) Directly or indirectly acting as an agent for, or otherwise representing or  
7 aiding on behalf of another, any person or insurer in the solicitation,  
8 negotiation, procurement or effectuation of insurance or renewals thereof or in  
9 the dissemination of information as to coverage or rates, or forwarding of  
10 applications, or delivery of policies or contracts, or inspection of risks, or  
11 fixing of rates or investigation or adjustment of claims or losses, or in the  
12 transaction of matters subsequent to effectuation of the contract and arising  
13 out of it, or in any other manner representing or assisting a person or insurer in  
14 the transaction of insurance with respect to subjects of insurance resident,  
15 located or to be performed in this state. The provisions of this subsection shall  
16 not operate to prohibit full-time salaried employees of a corporate insured  
17 from acting in the capacity of an insurance manager or buyer in placing  
18 insurance in behalf of such employer;
- 19 (g) The doing of any kind of insurance business specifically recognized as  
20 constituting the doing of an insurance business within the meaning of the  
21 statutes relating to insurance;
- 22 (h) The doing or proposing to do any insurance business in substance equivalent  
23 to any of the foregoing in a manner designed to evade the provisions of this  
24 code; and
- 25 (i) Any other transactions of business in this state by an insurer.
- 26 (3) (a) The failure of a company transacting insurance business in Kentucky to obtain  
27 a certificate of authority shall not impair the validity of any act or contract of

1           such company and shall not prevent such company from defending any action  
2           at law or suit in equity in any court of this state.

3           (b) In event of failure of any such unauthorized insurer to pay any claim or loss  
4           within the provisions of such insurance contract, any person who assisted or in  
5           any manner aided directly or indirectly in the procurement of such insurance  
6           contract shall be liable to the insured for the full amount of the claim or loss in  
7           the manner provided by the provisions of such insurance contract.

8           (4) Whenever the commissioner believes, from evidence satisfactory to him or her, that  
9           any company is violating or about to violate the provisions of these sections, the  
10          commissioner may, through the Attorney General of this state, cause a complaint to  
11          be filed in the Circuit Court of Franklin County to enjoin and restrain such company  
12          from continuing such violation or engaging therein or doing any act in furtherance  
13          thereof. The court shall have jurisdiction of the proceeding and shall have the power  
14          to make and enter an order or judgment awarding such preliminary or final  
15          injunctive relief as in its judgment is proper.

16          ➔Section 21. KRS 91A.080 is amended to read as follows:

17          (1) The legislative body of each local government which elects to impose and collect  
18          license fees or taxes upon insurance companies for the privilege of engaging in the  
19          business of insurance may, except as provided in subsection (10) of this section,  
20          enact or change its license fee or rate of tax to be effective July 1 of each year on a  
21          prospective basis only and shall file with the commissioner of insurance at least one  
22          hundred (100) days prior to the effective date, a copy of all ordinances and  
23          amendments which impose a license fee or tax. No less than eighty-five (85) days  
24          prior to the effective date, the commissioner of insurance shall promptly notify each  
25          insurance company engaged in the business of insurance in the Commonwealth of  
26          those local governments which have elected to impose the license fees or taxes and  
27          the current amount of the license fee or rate of tax.

- 1 (2) Any license fee or tax imposed by a local government upon an insurance company  
2 with respect to life insurance policies may be based upon the first year's premiums,  
3 and, if so based, shall be applied to the amount of the premiums actually collected  
4 within each calendar quarter upon the lives of persons residing within the corporate  
5 limits of the local government.
- 6 (3) Any license fee or tax imposed by a local government upon any insurance company  
7 with respect to any policy which is not a life insurance policy shall be based upon  
8 the premiums actually collected by the insurance company within each calendar  
9 quarter on risks located within the corporate limits of the local government on those  
10 classes of business which the insurance company is authorized to transact, less all  
11 premiums returned to policyholders. In determining the amount of license fee or tax  
12 to be collected and to be paid to the local government, the insurance company shall  
13 use the tax rate effective on the first day of the policy term. When an insurance  
14 company collects a premium as a result of a change in the policy during the policy  
15 term, the tax rate used shall be the rate in effect on the effective date of the policy  
16 change. With respect to premiums returned to policyholders, the license fee or tax  
17 shall be returned by the insurance company to the policyholder pro rata on the  
18 unexpired amount of the premium at the same rate at which it was collected and  
19 shall be taken as a credit by the insurance company on its next quarterly report to  
20 the local government.
- 21 (4) The Department of Insurance shall, by administrative regulation, provide for a  
22 reasonable collection fee to be retained by the insurance company or its agent as  
23 compensation for collecting the tax, except that the collection fee shall not be more  
24 than fifteen percent (15%) of the fee or tax collected and remitted to the local  
25 government or two percent (2%) of the premiums subject to the tax, whichever is  
26 less. To facilitate computation, collection, and remittance of the fee or tax and  
27 collection fee provided in this section, the fees or taxes set out in subsection (1), (2),

1 or (3) of this section, together with the collection fee in this section, may be rounded  
2 off to the nearest dollar amount.

3 (5) Pursuant to KRS 304.3-270, if any other state retaliates against any Kentucky  
4 domiciliary insurer because of the requirements of this section, the commissioner of  
5 insurance shall impose an equal tax upon the premiums written in this state by  
6 insurers domiciled in the other state.

7 (6) Accounting and reporting procedures for collection and reporting of the fees or  
8 taxes and the collection fee herein provided shall be determined by administrative  
9 regulations promulgated by the Department of Insurance.

10 (7) (a) Upon written request of the legislative body of any local government, at the  
11 expense of the requesting local government, which shall be paid in advance by  
12 the local government to the Department of Insurance, the Department of  
13 Insurance shall audit, or cause to be audited by contract with qualified  
14 auditors, the books or records of the insurance companies or agents subject to  
15 the fee or tax to determine whether the fee or tax is being properly collected  
16 and remitted, and the findings of the audit shall be reported to the local  
17 government and the insurance company subject to the audit. An insurance  
18 company may appeal the findings of the audit conducted under this subsection  
19 and any assessment issued pursuant to the audit findings in accordance with  
20 the provisions of KRS 91A.0804(5).

21 (b) Willful failure to properly collect and remit the fee or tax imposed by a local  
22 government pursuant to the authority granted by this section shall constitute  
23 grounds for the revocation of the license issued to an insurance company or  
24 agent under the provisions of KRS Chapter 304.

25 (c) If the Department of Insurance finds that an insurance company has willfully  
26 engaged in a pattern of business conduct that fails to properly collect and  
27 remit the fee or tax imposed by a local government pursuant to the authority



1 granted by this section, the Department of Insurance may assess the  
2 responsible insurance company an appropriate penalty fee no greater than ten  
3 percent (10%) of the additional license fees or taxes determined to be owed to  
4 the local government. The penalty fee shall be paid to the local government  
5 owed the license fee or tax less any administrative costs of the Department of  
6 Insurance in enforcing this section. Any insurance company or agent held  
7 responsible for a penalty fee may request a hearing with the Department of  
8 Insurance to be conducted pursuant to KRS 304.2-310 to 304.2-370 regarding  
9 the finding of a willful violation and the subsequent penalty fee.

10 (8) The license fees or taxes provided for by subsections (2) and (3) of this section shall  
11 be due thirty (30) days after the end of each calendar quarter. Annually, by March  
12 31, each insurance company shall furnish each local government to which the tax or  
13 fee is remitted with a breakdown of all collections in the preceding calendar year for  
14 the following categories of insurance:

- 15 (a) Casualty;
- 16 (b) Automobile;
- 17 (c) Inland marine;
- 18 (d) Fire and allied perils;
- 19 (e) Health; and
- 20 (f) Life.

21 (9) Any license fee or tax not paid on or before the due date shall bear interest at the tax  
22 interest rate as defined in KRS 131.010(6) from the date due until paid. Such  
23 interest payable to the local government is separate of penalties provided for in  
24 subsection (7) of this section. In addition, the local government may assess a ten  
25 percent (10%) penalty for a tax or fee not paid within thirty (30) days after the due  
26 date.

27 (10) No license fee or tax imposed under this section shall apply to premiums:

- 1 (a) Received on policies of group health insurance provided for state employees  
2 under KRS 18A.225;
- 3 (b) Received on policies insuring employers against liability for personal injuries  
4 to their employees or the death of their employees caused thereby, under the  
5 provisions of KRS Chapter 342;
- 6 (c) Received on health insurance policies issued to individuals;
- 7 (d) Received on policies issued through Kentucky Access created in Subtitle 17B  
8 of KRS Chapter 304;
- 9 (e) Received on policies for high deductible health plans as defined in 26 U.S.C.  
10 sec. 223(c)(2);
- 11 (f) Received on multistate surplus lines, defined as non-admitted insurance as  
12 provided in Title V, Subtitle B, the Non-Admitted and Reinsurance Reform  
13 Act of 2010, of the Dodd-Frank Wall Street Reform and Consumer Protection  
14 Act, Pub. L. No. 111-203;
- 15 (g) Paid to insurance companies or surplus lines brokers by nonprofit self-  
16 insurance groups or self-insurance entities whose membership consists of  
17 school districts; ~~or~~
- 18 (h) Paid to insurance companies or surplus lines brokers by nonprofit self-  
19 insurance groups or self-insurance entities whose membership consists of  
20 cities, counties, charter county governments, urban-county governments,  
21 consolidated local governments, unified local governments, school districts, or  
22 any other political subdivisions of the Commonwealth; or
- 23 (i) Received on policies issued by or contractual liability insurance policies  
24 issued to:
- 25 1. A participant, as defined in Section 1 of this Act, under a waiver or a  
26 limited no-action letter; or
- 27 2. An innovative insurer authorized under Section 5 of this Act.

- 1 (11) No county may impose the tax authorized by this section upon the premiums  
2 received on policies issued to public service companies which pay ad valorem taxes.
- 3 (12) Insurance companies which pay license fees or taxes pursuant to this section shall  
4 credit city license fees or taxes against the same license fees or taxes levied by the  
5 county, when the license fees or taxes are levied by the county on or after July 13,  
6 1990. For purposes of this subsection, a consolidated local government, urban-  
7 county government, charter county government, or unified local government shall  
8 be considered a county.
- 9 (13) No license fee or tax imposed under this section shall apply to premiums paid to  
10 insurers of municipal bonds, leases, or other debt instruments issued by or on behalf  
11 of a city, county, charter county government, urban-county government,  
12 consolidated local government, special district, nonprofit corporation, or other  
13 political subdivision of the Commonwealth. However, this exemption shall not  
14 apply if the bonds, leases, or other debt instruments are issued for profit or on behalf  
15 of for-profit or private organizations.
- 16 (14) A county may impose a license fee or tax covering the entire county or may limit  
17 the application of the fee or tax to the unincorporated portions of the county.
- 18 ➔Section 22. KRS 154.32-010 is amended to read as follows:
- 19 (1) "Activation date" means the date established in the tax incentive agreement that is  
20 within two (2) years of final approval;
- 21 (2) "Affiliate" means the following:
- 22 (a) Members of a family, including only brothers and sisters of the whole or half  
23 blood, spouse, ancestors, and lineal descendants of an individual;
- 24 (b) An individual, and a corporation more than fifty percent (50%) in value of the  
25 outstanding stock of which is owned, directly or indirectly, by or for that  
26 individual;
- 27 (c) An individual, and a limited liability company of which more than fifty

- 1           percent (50%) of the capital interest or profits are owned or controlled,  
2           directly or indirectly, by or for that individual;
- 3       (d) Two (2) corporations which are members of the same controlled group, which  
4       includes and is limited to:
- 5           1. One (1) or more chains of corporations connected through stock  
6           ownership with a common parent corporation if:
- 7               a. Stock possessing more than fifty percent (50%) of the total  
8               combined voting power of all classes of stock entitled to vote or  
9               more than fifty percent (50%) of the total value of shares of all  
10              classes of stock of each of the corporations, except the common  
11              parent corporation, is owned by one (1) or more of the other  
12              corporations; and
- 13               b. The common parent corporation owns stock possessing more than  
14              fifty percent (50%) of the total combined voting power of all  
15              classes of stock entitled to vote or more than fifty percent (50%) of  
16              the total value of shares of all classes of stock of at least one (1) of  
17              the other corporations, excluding, in computing the voting power  
18              or value, stock owned directly by the other corporations; or
- 19           2. Two (2) or more corporations if five (5) or fewer persons who are  
20           individuals, estates, or trusts own stock possessing more than fifty  
21           percent (50%) of the total combined voting power of all classes of stock  
22           entitled to vote or more than fifty percent (50%) of the total value of  
23           shares of all classes of stock of each corporation, taking into account the  
24           stock ownership of each person only to the extent the stock ownership is  
25           identical with respect to each corporation;
- 26       (e) A grantor and a fiduciary of any trust;
- 27       (f) A fiduciary of a trust and a fiduciary of another trust, if the same person is a

- 1 grantor of both trusts;
- 2 (g) A fiduciary of a trust and a beneficiary of that trust;
- 3 (h) A fiduciary of a trust and a beneficiary of another trust, if the same person is a  
4 grantor of both trusts;
- 5 (i) A fiduciary of a trust and a corporation more than fifty percent (50%) in value  
6 of the outstanding stock of which is owned, directly or indirectly, by or for the  
7 trust or by or for a person who is a grantor of the trust;
- 8 (j) A fiduciary of a trust and a limited liability company more than fifty percent  
9 (50%) of the capital interest, or the interest in profits, of which is owned  
10 directly or indirectly, by or for the trust or by or for a person who is a grantor  
11 of the trust;
- 12 (k) A corporation, a partnership, or a limited partnership if the same persons own:  
13 1. More than fifty percent (50%) in value of the outstanding stock of the  
14 corporation; and  
15 2. More than fifty percent (50%) of the capital interest, or the profits  
16 interest, in the partnership or limited partnership;
- 17 (l) A corporation and a limited liability company if the same persons own:  
18 1. More than fifty percent (50%) in value of the outstanding stock of the  
19 corporation; and  
20 2. More than fifty percent (50%) of the capital interest or the profits in the  
21 limited liability company;
- 22 (m) A partnership or limited partnership and a limited liability company if the  
23 same persons own:  
24 1. More than fifty percent (50%) of the capital interest or profits in the  
25 partnership or limited partnership; and  
26 2. More than fifty percent (50%) of the capital interest or the profits in the  
27 limited liability company;

- 1 (n) An S corporation and another S corporation if the same persons own more  
2 than fifty percent (50%) in value of the outstanding stock of each corporation;  
3 S corporation designation being the same as that designation under the  
4 Internal Revenue Code of 1986, as amended;
- 5 (o) An S corporation and a C corporation, if the same persons own more than fifty  
6 percent (50%) in value of the outstanding stock of each corporation; S and C  
7 corporation designations being the same as those designations under the  
8 Internal Revenue Code of 1986, as amended; or
- 9 (p) Two (2) or more limited liability companies, if the same persons own more  
10 than fifty percent (50%) of the capital interest or are entitled to more than fifty  
11 percent (50%) of the capital profits in the limited liability companies;
- 12 (3) "Agribusiness" means the processing of raw agricultural products, including but not  
13 limited to timber and industrial hemp, or the performance of value-added functions  
14 with regard to raw agricultural products;
- 15 (4) "Alternative fuel production" means a Kentucky operation that primarily produces  
16 alternative transportation fuels for sale. The alternative fuel production may produce  
17 electricity as a by-product if the primary function of the operations remains the  
18 production and sale of alternative transportation fuels;
- 19 (5) "Alternative transportation fuels" has the same meaning as in KRS 152.715;
- 20 (6) "Approved company" means an eligible company that has received final approval to  
21 receive incentives under this subchapter;
- 22 (7) "Approved costs" means the amount of eligible costs approved by the authority at  
23 final approval;
- 24 (8) "Authority" means the Kentucky Economic Development Finance Authority  
25 established by KRS 154.20-010;
- 26 (9) "Biomass resources" has the same meaning as in KRS 152.715;
- 27 (10) "Capital lease" means a lease classified as a capital lease by the Statement of

1 Financial Accounting Standards No. 13, Accounting for Leases, issued by the  
2 Financial Accounting Standards Board, November 1976, as amended;

3 (11) "Carbon dioxide transmission pipeline" means the in-state portion of a pipeline,  
4 including appurtenant facilities, property rights, and easements, that is used  
5 exclusively for the purpose of transporting carbon dioxide to the point of sale,  
6 storage, or other carbon management applications;

7 (12) "Coal severing and processing" means activities resulting in the eligible company  
8 being subject to the tax imposed by KRS Chapter 143;

9 (13) "Commonwealth" means the Commonwealth of Kentucky;

10 (14) "Confirmed approved costs" means:

11 (a) **For insurance innovator economic development projects:**

12 **1. The documented eligible costs incurred on or before the activation**  
13 **date; and**

14 **2. If property is leased, the estimated rent to be incurred by the approved**  
15 **company throughout the term of the tax incentive agreement;**

16 **(b)** For owned economic development projects, the documented eligible costs  
17 incurred on or before the activation date; or

18 **(c)**~~(b)~~ For leased economic development projects:

19 1. The documented eligible costs incurred on or before the activation date;  
20 and

21 2. Estimated rent to be incurred by the approved company throughout the  
22 term of the tax incentive agreement.

23 For both owned and leased economic development projects, "confirmed approved  
24 costs" may be less than approved costs, but shall not be more than approved costs;

25 (15) "Department" means the Department of Revenue;

26 (16) "Economic development project" means:

27 (a) The acquisition, leasing, or construction of a new facility;

1 (b) The acquisition, leasing, rehabilitation, or expansion of an existing facility; or  
2 (c) The installation and equipping of a facility;  
3 by an eligible company. "Economic development project" does not include any  
4 economic development project that will result in the replacement of facilities  
5 existing in the Commonwealth, except as provided in KRS 154.32-060;

6 (17) (a) "Eligible company" means any corporation, limited liability company,  
7 partnership, limited partnership, sole proprietorship, business trust, or any  
8 other entity with a proposed economic development project that is engaged in  
9 or is planning to be engaged in one (1) or more of the following activities  
10 within the Commonwealth:

- 11 1. Manufacturing;
- 12 2. Agribusiness;
- 13 3. Nonretail service or technology;
- 14 4. Headquarters operations, regardless of the underlying business activity  
15 of the company;
- 16 5. Alternative fuel, gasification, energy-efficient alternative fuel, or  
17 renewable energy production;
- 18 6. Carbon dioxide transmission pipeline;
- 19 7. Coal severing and processing; ~~for~~
- 20 8. Hospital operations; or
- 21 9. Insurance innovation.

22 (b) "Eligible company" does not include companies where the primary activity to  
23 be conducted within the Commonwealth is forestry, fishing, the provision of  
24 utilities, construction, wholesale trade, retail trade, real estate, rental and  
25 leasing, educational services, accommodation and food services, or public  
26 administration services;

27 (18) "Eligible costs" means:



- 1           (a) **For insurance innovator economic development projects:**
- 2                 **1. Start-up costs;**
- 3                 **2. Costs related to making an innovation available through the**
- 4                         **regulatory sandbox, as defined in Section 1 of this Act, including the**
- 5                         **costs incurred for all:**
- 6                                 **a. Wages paid related to the economic development project; and**
- 7                                 **b. Facility costs, including owning or leasing space;**
- 8           (b) For owned economic development projects:
- 9                 1. Start-up costs;
- 10                2. Nonrecurring obligations incurred for labor and nonrecurring payments
- 11                         to contractors, subcontractors, builders, and materialmen in connection
- 12                         with the economic development project;
- 13                3. The cost of acquiring land or rights in land and any cost incidental
- 14                         thereto, including recording fees;
- 15                4. The cost of contract bonds and of insurance of all kinds that may be
- 16                         required or necessary for completion of an economic development
- 17                         project which is not paid by a contractor or otherwise provided for;
- 18                5. All costs of architectural and engineering services, including test
- 19                         borings, surveys, estimated plans and specifications, preliminary
- 20                         investigations, and supervision of construction, as well as for the
- 21                         performance of all the duties required for construction of the economic
- 22                         development project;
- 23                6. All costs which are required to be paid under the terms of any contract
- 24                         for the economic development project;
- 25                7. All costs incurred for construction activities, including site tests and
- 26                         inspections; subsurface site work; excavation; removal of structures,
- 27                         roadways, cemeteries, and other surface obstructions; filling, grading,

1 and providing drainage and storm water retention; installation of utilities  
 2 such as water, sewer, sewage treatment, gas, electric, communications,  
 3 and similar facilities; off-site construction of utility extensions to the  
 4 boundaries of the real estate; construction and installation of railroad  
 5 spurs as needed to connect the economic development project to existing  
 6 railways; or similar activities as the authority may determine necessary  
 7 for construction of the economic development project; and

8 8. All other costs of a nature comparable to those described above; and

9 ~~(c)~~~~(b)~~ For leased economic development projects:

10 1. Start-up costs;

11 2. Building/leasehold improvements; and

12 3. Fifty percent (50%) of the estimated annual rent for each year of the tax  
 13 incentive agreement.

14 Notwithstanding any other provision of this subsection, for economic development  
 15 projects that are not in enhanced incentive counties, the cost of equipment eligible  
 16 for recovery as an eligible cost shall not exceed twenty thousand dollars (\$20,000)  
 17 for each new full-time job created as of the activation date;

18 (19) "Employee benefits" means payments by an approved company for its full-time  
 19 employees for health insurance, life insurance, dental insurance, vision insurance,  
 20 defined benefits, 401(k), or similar plans;

21 (20) "Energy-efficient alternative fuel production" means a Kentucky operation that  
 22 produces for sale energy-efficient alternative fuels;

23 (21) "Energy-efficient alternative fuels" means homogeneous fuels that:

24 (a) Are produced from processes designed to densify feedstock coal, waste coal,  
 25 or biomass resources; and

26 (b) Have an energy content that is greater than the feedstock coal, waste coal, or  
 27 biomass resource;

- 1 (22) "Enhanced incentive counties" means counties certified by the authority pursuant to  
2 KRS 154.32-050;
- 3 (23) "Final approval" means the action taken by the authority authorizing the eligible  
4 company to receive incentives under this subchapter;
- 5 (24) (a) "Full-time job" means a job held by a person who:
- 6 1. Is required to work a minimum of thirty-five (35) hours per week; and
- 7 2. a. Is subject to the Kentucky individual income tax imposed by KRS  
8 141.020; or
- 9 b. Works remotely away from the economic development project if  
10 the job meets all of the following conditions:
- 11 i. Is held by a Kentucky resident;
- 12 ii. Was created as a result of the economic development project;
- 13 and
- 14 iii. The payroll of this job is expensed to the economic  
15 development project.
- 16 (b) "Full-time job" does not include a job held by a resident of any state with a  
17 reciprocal agreement between the Commonwealth and the other state as  
18 described in KRS 141.070;
- 19 (25) "Gasification process" means a process that converts any carbon-containing material  
20 into a synthesis gas composed primarily of carbon monoxide and hydrogen;
- 21 (26) "Gasification production" means a Kentucky operation that primarily produces for  
22 sale:
- 23 (a) Alternative transportation fuels;
- 24 (b) Synthetic natural gas;
- 25 (c) Chemicals;
- 26 (d) Chemical feedstocks; or
- 27 (e) Liquid fuels;

1 from coal, waste coal, coal-processing waste, or biomass resources, through a  
2 gasification process. The gasification production may produce electricity as a by-  
3 product if the primary function of the operations remains the production and sale of  
4 alternative transportation fuels, synthetic natural gas, chemicals, chemical  
5 feedstocks, or liquid fuels;

6 (27) "Headquarters" means the principal office where the principal executives of the  
7 entity are located and from which other personnel, branches, affiliates, offices, or  
8 entities are controlled;

9 (28) "Hospital" means a facility licensed by the Cabinet for Health and Family Services  
10 under KRS Chapter 216B for the operation of a hospital and the basic services  
11 provided by a hospital;

12 (29) "Incentives" means the incentives available under this subchapter, as listed in KRS  
13 154.32-020(3);

14 (30) **"Insurance innovator" means an eligible company that:**

15 **(a) Is subject to the tax imposed under KRS 136.320, 136.330, 136.340,**  
16 **136.350, 136.370, 136.390, or 304.3-270;**

17 **(b) Is a participant, as defined in Section 1 of this Act; and**

18 **(c) Invests or deposits one hundred thousand dollars (\$100,000) in a Kentucky**  
19 **domiciled financial institution;**

20 **(31)** "Job target" means the annual average number of new full-time jobs that the  
21 approved company commits to create and maintain at the economic development  
22 project, which shall not be less than ten (10) new full-time jobs;

23 **(32)**~~(31)~~ "Kentucky gross receipts" has the same meaning as in KRS 141.0401;

24 **(33)**~~(32)~~ "Kentucky gross profits" has the same meaning as in KRS 141.0401;

25 **(34)**~~(33)~~ "Lease agreement" means an agreement between an approved company and an  
26 unrelated entity conveying the right to use a facility, the terms of which reflect an  
27 arms' length transaction. "Lease agreement" does not include a capital lease;

1 ~~(35)~~~~(34)~~ "Leased project" means an economic development project site occupied by an  
2 approved company pursuant to a lease agreement;

3 ~~(36)~~~~(35)~~ "Manufacturing" means any activity involving:

4 (a) Processing, assembling, or production of any property, including the  
5 processing resulting in a change in the conditions of the property and any  
6 activity related to the processing, assembling, or production of property,  
7 together with the storage, warehousing, distribution, and related office  
8 facilities; or

9 (b) Production of vital medications, personal protective equipment, or equipment  
10 necessary to produce personal protective equipment;

11 ~~(37)~~~~(36)~~ (a) "Nonretail service or technology" means any activity where service or  
12 technology is provided predominantly outside the Commonwealth and  
13 designed to serve a multistate, national, or international market.

14 (b) "Nonretail service or technology" includes but is not limited to call centers,  
15 centralized administrative or processing centers, telephone or Internet sales  
16 order or processing centers, distribution or fulfillment centers, data processing  
17 centers, research and development facilities, and other similar activities;

18 ~~(38)~~~~(37)~~ "Owned project" means an economic development project owned in fee  
19 simple by the approved company or an affiliate, or possessed by the approved  
20 company or an affiliate pursuant to a capital lease;

21 ~~(39)~~~~(38)~~ "Personal protective equipment" means protective clothing, helmets, gloves,  
22 face shields, goggles, face masks, respirators, and other equipment designed to  
23 protect the user from injury or the spread of infection or illness;

24 ~~(40)~~~~(39)~~ "Preliminary approval" means the action taken by the authority preliminarily  
25 approving an eligible company for incentives under this subchapter;

26 ~~(41)~~~~(40)~~ "Renewable energy production" means a Kentucky operation that utilizes  
27 wind power, biomass resources, landfill methane gas, hydropower, solar power, or

1 other similar renewable resources to generate electricity for sale to unrelated  
2 entities;

3 ~~(42)~~~~((41))~~ "Rent" means the actual annual rent or fee paid by an approved company  
4 under a lease agreement;

5 ~~(43)~~~~((42))~~ "Start-up costs" means nonrecurring costs incurred to furnish and equip a  
6 facility for an economic development project, including costs incurred for:

7 (a) Computers, furnishings, office equipment, manufacturing equipment, and  
8 fixtures;

9 (b) The relocation of out-of-state equipment; and

10 (c) Cost of fixed telecommunications equipment;

11 as certified to the authority in accordance with KRS 154.32-030;

12 ~~(44)~~~~((43))~~ "Synthetic natural gas" means the same thing as in KRS 152.715;

13 ~~(45)~~~~((44))~~ "Tax incentive agreement" means the agreement entered into pursuant to KRS  
14 154.32-040 between the authority and an approved company;

15 ~~(46)~~~~((45))~~ "Term" means the period of time for which a tax incentive agreement may be  
16 in effect, which shall not exceed fifteen (15) years for an economic development  
17 project located in an enhanced incentive county, or ten (10) years for an economic  
18 development project not located in any other county;

19 ~~(47)~~~~((46))~~ "Vital medications" means any drug or biologic used to prevent or treat a  
20 serious life-threatening disease or medical condition for which there is no other  
21 available source with sufficient supply of that drug or biologic or alternative drug or  
22 biologic;

23 ~~(48)~~~~((47))~~ "Wage" means the per hour earnings of a full-time employee, including  
24 wages, tips, overtime, bonuses, and commissions, as reflected on the employee's  
25 federal form W-2 wage and tax statement, but excludes employee benefits; and

26 ~~(49)~~~~((48))~~ "Wage target" means the average total hourly compensation amount, including  
27 the minimum wage and employee benefits, that the approved company commits to

1 meet for all new full-time jobs created and maintained as a result of the economic  
2 development project, which shall not be less than:

- 3 (a) One hundred twenty-five percent (125%) of the federal minimum wage in  
4 enhanced incentive counties; or  
5 (b) One hundred fifty percent (150%) of the federal minimum wage in all other  
6 counties.

7 ➔Section 23. KRS 154.32-020 is amended to read as follows:

- 8 (1) The purposes of this subchapter are:
- 9 (a) To provide incentives for eligible companies and to encourage the location or  
10 expansion of manufacturing facilities, agribusiness operations, nonretail  
11 service or technology facilities, headquarters operations, alternative fuel  
12 production facilities, gasification production facilities, energy-efficient  
13 alternative fuel production facilities, renewable energy production facilities,  
14 carbon dioxide transmission pipelines, coal severing and processing,~~and~~  
15 hospital operations, and insurance innovation in the Commonwealth to  
16 advance the public purposes of:
- 17 1. Creation of new jobs that, but for the incentives offered by the authority,  
18 would not exist within the Commonwealth;
  - 19 2. Creation of new sources of tax revenues for the support of public  
20 services provided by the Commonwealth;
  - 21 3. Improvement in the quality of life for Kentucky citizens through the  
22 creation of sustainable jobs with higher salaries;~~and~~
  - 23 4. Providing an economic stimulus to bolster in-state production of vital  
24 medications and personal protective equipment; and
  - 25 5. *Fostering an environment for innovation in the financial and*  
26 *insurance industry within the Commonwealth; and*
- 27 (b) To provide enhanced incentives for companies that locate in enhanced

1 incentive counties in recognition of the depressed economic conditions in  
2 those counties and the increased need for the growth and development caused  
3 by the depressed economic conditions.

4 (2) To qualify for the incentives provided by subsection (3) of this section, an approved  
5 company shall:

6 (a) Incur eligible costs of at least one hundred thousand dollars (\$100,000);

7 (b) Create at least ten (10) new full-time jobs and maintain an annual average  
8 number of at least ten (10) new full-time jobs; and

9 (c) 1. Pay at least ninety percent (90%) of all new full-time employees whose  
10 jobs were created as a result of the economic development project a  
11 minimum wage of at least one hundred twenty-five percent (125%) of  
12 the federal minimum wage in enhanced incentive counties, and one  
13 hundred fifty percent (150%) of the federal minimum wage in other  
14 counties throughout the term of the economic development project; and

15 2. Provide employee benefits for all new full-time jobs equal to at least  
16 fifteen percent (15%) of the minimum wage requirement established by  
17 subparagraph 1. of this paragraph. If the eligible company does not  
18 provide employee benefits equal to at least fifteen percent (15%) of the  
19 minimum wage requirement established by subparagraph 1. of this  
20 paragraph, the eligible company may still qualify for incentives if it  
21 provides the full-time employees hired as a result of the economic  
22 development project total hourly compensation equal to or greater than  
23 one hundred fifteen percent (115%) of the minimum wage requirement  
24 established in subparagraph 1. of this paragraph through increased  
25 hourly wages combined with employee benefits; or

26 (d) Produce vital medications, personal protective equipment, or equipment  
27 necessary to produce personal protective equipment.



- 1 (3) The incentives available under this subchapter are as follows:
- 2 (a) Tax credits of up to one hundred percent (100%) of the:
- 3 1. Kentucky income tax imposed under KRS 141.020 or 141.040 and the
- 4 limited liability entity tax imposed under KRS 141.0401 on the income,
- 5 Kentucky gross profits, or Kentucky gross receipts of the approved
- 6 company generated by or arising from the economic development
- 7 project, as set forth in KRS 141.415 and 154.32-070; or
- 8 2. Insurance premiums taxes imposed under KRS 136.320, 136.330,
- 9 136.340, 136.350, 136.370, 136.390, or 304.3-270;
- 10 (b) Authorization for the approved company to impose a wage assessment against
- 11 the gross wages of each new employee subject to the Kentucky income tax as
- 12 provided in KRS 154.32-090; and
- 13 (c) Notwithstanding any provision of law to the contrary, for any economic
- 14 development project with an eligible investment of more than two hundred
- 15 million dollars (\$200,000,000), the authority may authorize approval to the
- 16 economic development project based upon terms and incentives applicable to
- 17 economic development project locating in an enhanced incentive county.
- 18 (4) The General Assembly hereby finds and declares that the authority granted in this
- 19 subchapter and the purposes accomplished hereby are proper governmental and
- 20 public purposes for which public moneys may be expended, and that the
- 21 inducement of the location of economic development projects within the
- 22 Commonwealth is of paramount importance to the economic well-being of the
- 23 Commonwealth.
- 24 ➔Section 24. KRS 154.32-070 is amended to read as follows:
- 25 (1) For taxable years beginning after December 31, 2009, an approved company may be
- 26 eligible for a credit of up to one hundred percent (100%) of the incentives provided
- 27 under subsection (3) of Section 23 of this Act ~~Kentucky income tax imposed under~~

1 ~~KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS~~  
 2 ~~141.0401], that would otherwise be owed by the approved company to the~~  
 3 ~~Commonwealth[ for the approved company's taxable year, on the income, Kentucky~~  
 4 ~~gross profits, or Kentucky gross receipts of the approved company generated by or~~  
 5 ~~arising from the economic development project].~~

6 (2) The credit allowed the approved company shall be applied against both the income  
 7 tax imposed by KRS 141.020 or 141.040, and the limited liability entity tax  
 8 imposed by KRS 141.0401, with credit ordering as provided in KRS 141.0205, for  
 9 the taxable year for which the tax return of the approved company is filed, **or the**  
 10 **insurance premiums taxes due**, subject to the annual maximum set forth in the tax  
 11 incentive agreement. Any credit not used in the year in which it was first available  
 12 may be carried forward to subsequent years, provided that no credit may be carried  
 13 forward beyond the term of the tax incentive agreement.

14 (3) The approved company shall not be required to pay estimated tax payments under  
 15 KRS 141.044 on the Kentucky taxable income, Kentucky gross receipts, or  
 16 Kentucky gross profits generated by or arising from the eligible project.

17 (4) The credit provided by this section shall be determined as provided in KRS 141.415  
 18 **or Section 26 of this Act.**

19 (5) The amount of incentives allowed in any year shall not exceed the lesser of the tax  
 20 liability of the approved company related to the economic development project for  
 21 that year or the annual maximum approved costs set forth in the tax incentive  
 22 agreement. The incentives shall be allowed for:

23 **(a)** Each fiscal year of the approved company during the term of the tax incentive  
 24 agreement for which a tax return is filed by the approved company; **or**

25 **(b) The annual return required related to insurance premiums taxes.**

26 ➔Section 25. KRS 154.32-100 is amended to read as follows:

27 By October 1 of each year, the department shall certify to the authority **and the Interim**

1 *Joint Committee on Appropriations and Revenue*, in the form of an annual report,  
 2 aggregate tax credits claimed on tax returns filed during the fiscal year ending June 30 of  
 3 that year and aggregate assessments taken during the prior calendar year by approved  
 4 companies with respect to their economic development projects under this subchapter,  
 5 and shall certify to the authority *and the Interim Joint Committee on Appropriations*  
 6 *and Revenue*, within ninety (90) days from the date an approved company has filed its  
 7 state income tax return, when an approved company has taken tax credits or assessments  
 8 equal to the total incentives available to the approved company.

9       ➔SECTION 26. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO  
 10 BE NUMBERED AS KRS 136.401 AND TO READ AS FOLLOWS:

11 *(1) As used in this section:*

12       *(a) "Approved company" has the same meaning as in Section 22 of this Act;*

13       *(b) "Economic development project" has the same meaning as in Section 22 of*  
 14       *this Act; and*

15       *(c) "Tax credit" means the tax credit allowed in Section 24 of this Act.*

16 *(2) There is hereby allowed a nonrefundable credit for taxpayers that, as insurance*  
 17 *innovators, are approved for the incentives provided in Section 23 of this Act. The*  
 18 *credit may be claimed against the tax imposed by:*

19       *(a) KRS 136.320;*

20       *(b) KRS 136.330;*

21       *(c) KRS 136.340;*

22       *(d) KRS 136.350;*

23       *(e) KRS 136.370;*

24       *(f) KRS 136.390; or*

25       *(g) KRS 304.3-270;*

26       *with the ordering of the credit as provided in Section 27 of this Act.*

27 *(3) The credit may not be sold, transferred, or allocated to any other taxpayer.*

1 (4) If the amount of the credit allowed for a year under subsection (2) of this section  
 2 exceeds the tax otherwise due for that year, the excess shall be carried forward to  
 3 succeeding years until fully used, as provided under Section 24 of this Act.

4 (5) On or before December 1, 2023, and annually thereafter as long as the credit is  
 5 claimed by a taxpayer, the department shall submit a written report to the Interim  
 6 Joint Committee on Appropriations and Revenue, providing cumulative  
 7 information by taxable year:

8 (a) The number of taxpayers claiming a credit under this section, and the total  
 9 value of credits claimed;

10 (b) The total value of approved costs approved by the Cabinet for Economic  
 11 Development;

12 (c) The location by county of each approved economic development project  
 13 claiming a credit under this section; and

14 (d) The number and total value of any tax credits revoked by the Cabinet for  
 15 Economic Development during the fiscal year, with an explanation of the  
 16 reason for each revocation.

17 ➔SECTION 27. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO  
 18 BE NUMBERED AS KRS 136.405 AND TO READ AS FOLLOWS:

19 (1) If a taxpayer is entitled to more than one (1) of the tax credits permitted against  
 20 the taxes imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390,  
 21 or 304.3-270, the credits shall be taken in the following order:

22 (a) The investment fund credit permitted by KRS 154.20-258;

23 (b) The New Markets Development Program credit permitted by KRS 141.434;  
 24 and

25 (c) The insurance innovator credit permitted by Section 23 of this Act.

26 (2) A taxpayer claiming a credit against any of the insurance premiums taxes  
 27 imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, or 136.390 shall

1        **not be required to pay additional retaliatory tax imposed by KRS 304.3-270.**

2        ➔Section 28. KRS 131.190 is amended to read as follows:

3        (1) No present or former commissioner or employee of the department, present or  
4        former member of a county board of assessment appeals, present or former property  
5        valuation administrator or employee, present or former secretary or employee of the  
6        Finance and Administration Cabinet, former secretary or employee of the Revenue  
7        Cabinet, or any other person, shall intentionally and without authorization inspect or  
8        divulge any information acquired by him or her of the affairs of any person, or  
9        information regarding the tax schedules, returns, or reports required to be filed with  
10       the department or other proper officer, or any information produced by a hearing or  
11       investigation, insofar as the information may have to do with the affairs of the  
12       person's business.

13       (2) The prohibition established by subsection (1) of this section shall not extend to:

14       (a) Information required in prosecutions for making false reports or returns of  
15       property for taxation, or any other infraction of the tax laws;

16       (b) Any matter properly entered upon any assessment record, or in any way made  
17       a matter of public record;

18       (c) Furnishing any taxpayer or his or her properly authorized agent with  
19       information respecting his or her own return;

20       (d) Testimony provided by the commissioner or any employee of the department  
21       in any court, or the introduction as evidence of returns or reports filed with the  
22       department, in an action for violation of state or federal tax laws or in any  
23       action challenging state or federal tax laws;

24       (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or  
25       energy resources assessed under KRS 132.820, or owners of surface land  
26       under which the unmined minerals lie, factual information about the owner's  
27       property derived from third-party returns filed for that owner's property, under

1 the provisions of KRS 132.820, that is used to determine the owner's  
2 assessment. This information shall be provided to the owner on a confidential  
3 basis, and the owner shall be subject to the penalties provided in KRS  
4 131.990(2). The third-party filer shall be given prior notice of any disclosure  
5 of information to the owner that was provided by the third-party filer;

6 (f) Providing to a third-party purchaser pursuant to an order entered in a  
7 foreclosure action filed in a court of competent jurisdiction, factual  
8 information related to the owner or lessee of coal, oil, gas reserves, or any  
9 other mineral resources assessed under KRS 132.820. The department may  
10 promulgate an administrative regulation establishing a fee schedule for the  
11 provision of the information described in this paragraph. Any fee imposed  
12 shall not exceed the greater of the actual cost of providing the information or  
13 ten dollars (\$10);

14 (g) Providing information to a licensing agency, the Transportation Cabinet, or  
15 the Kentucky Supreme Court under KRS 131.1817;

16 (h) Statistics of gasoline and special fuels gallonage reported to the department  
17 under KRS 138.210 to 138.448;

18 (i) Providing any utility gross receipts license tax return information that is  
19 necessary to administer the provisions of KRS 160.613 to 160.617 to  
20 applicable school districts on a confidential basis;

21 (j) Providing documents, data, or other information to a third party pursuant to an  
22 order issued by a court of competent jurisdiction; or

23 (k) Providing information to the Legislative Research Commission under:

24 1. KRS 139.519 for purposes of the sales and use tax refund on building  
25 materials used for disaster recovery;

26 2. KRS 141.436 for purposes of the energy efficiency products credits;

27 3. KRS 141.437 for purposes of the ENERGY STAR home and the

- 1 ENERGY STAR manufactured home credits;
- 2 4. KRS 141.383 for purposes of the film industry incentives;
- 3 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization
- 4 tax credits and the job assessment fees;
- 5 6. KRS 141.068 for purposes of the Kentucky investment fund;
- 6 7. KRS 141.396 for purposes of the angel investor tax credit;
- 7 8. KRS 141.389 for purposes of the distilled spirits credit;
- 8 9. KRS 141.408 for purposes of the inventory credit;
- 9 10. KRS 141.390 for purposes of the recycling and composting credit;
- 10 11. KRS 141.3841 for purposes of the selling farmer tax credit;
- 11 12. KRS 141.4231 for purposes of the renewable chemical production tax
- 12 credit;
- 13 13. KRS 141.524 for purposes of the Education Opportunity Account
- 14 Program tax credit;
- 15 14. KRS 141.398 for purposes of the development area tax credit;~~and~~
- 16 15. KRS 139.516 for the purposes of the sales and use tax exemption on the
- 17 commercial mining of cryptocurrency; and
- 18 **16. Sections 25 and 27 of this Act for purposes of the insurance innovator**
- 19 **tax credit.**

- 20 (3) The commissioner shall make available any information for official use only and on
- 21 a confidential basis to the proper officer, agency, board or commission of this state,
- 22 any Kentucky county, any Kentucky city, any other state, or the federal government,
- 23 under reciprocal agreements whereby the department shall receive similar or useful
- 24 information in return.
- 25 (4) Access to and inspection of information received from the Internal Revenue Service
- 26 is for department use only, and is restricted to tax administration purposes.
- 27 Information received from the Internal Revenue Service shall not be made available

1 to any other agency of state government, or any county, city, or other state, and shall  
2 not be inspected intentionally and without authorization by any present secretary or  
3 employee of the Finance and Administration Cabinet, commissioner or employee of  
4 the department, or any other person.

5 (5) Statistics of crude oil as reported to the department under the crude oil excise tax  
6 requirements of KRS Chapter 137 and statistics of natural gas production as  
7 reported to the department under the natural resources severance tax requirements  
8 of KRS Chapter 143A may be made public by the department by release to the  
9 Energy and Environment Cabinet, Department for Natural Resources.

10 (6) Notwithstanding any provision of law to the contrary, beginning with mine-map  
11 submissions for the 1989 tax year, the department may make public or divulge only  
12 those portions of mine maps submitted by taxpayers to the department pursuant to  
13 KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-  
14 out parcel areas. These electronic maps shall not be relied upon to determine actual  
15 boundaries of mined-out parcel areas. Property boundaries contained in mine maps  
16 required under KRS Chapters 350 and 352 shall not be construed to constitute land  
17 surveying or boundary surveys as defined by KRS 322.010 and any administrative  
18 regulations promulgated thereto.

19 ➔Section 29. The following KRS sections are repealed:

20 304.3-700 Definitions for KRS 304.3-700 to 304.3-735.

21 304.3-705 Application for admission to regulatory sandbox -- Disclosure and stability  
22 requirements -- Disqualifying factors.

23 304.3-710 Director of insurance innovation -- Review of applications -- Notice of  
24 acceptance or rejection -- Hearing.

25 304.3-715 Limited no-action letter -- Safe harbor of limited letter -- Publication of  
26 limited letter on department's Web site.

27 304.3-720 One-year period for beta test -- Extension by commissioner -- Terms and



1 conditions -- Early termination -- Cease and desist order -- Appeal.

2 304.3-725 Completion and review of beta test -- Issuance of extended no-action letter or  
3 notice declining to issue extended letter -- Safe harbor of extended letter -- Use of  
4 innovation and conduct permitted -- Hearing -- Publication of extended letter on  
5 department's Web site.

6 304.3-730 Confidentiality of financial information -- Permissible disclosures in  
7 extended no-action letter.

8 304.3-735 Annual report.

9 ➔Section 30. Notwithstanding subsection (4)(b) of Section 12 of this Act, initial  
10 appointments to the Kentucky Innovation Council established in Section 12 of this Act  
11 shall be staggered so that three of the appointments expire at three years after  
12 appointment. Thereafter, all appointments to the council shall be for terms of two years.

13 ➔Section 31. Sections 1 to 15 of this Act may be cited as the Insurance and  
14 Related Innovation Sandbox Law.