

# MARKET BULLETIN

REF: Y4838

<b>Title</b>	<b>Kentucky Licensed Business: Municipal Taxes and Premium Surcharge</b>
<b>Purpose</b>	To advise the market of changes in procedures in respect of Kentucky Municipal Taxes and Premium Surcharge applicable to all direct Kentucky licensed business
<b>Type</b>	Event
<b>From</b>	Pat Talley, Regional Director, US Central Region, Lloyd's America (Ext. 7241)
<b>Date</b>	30 October 2014
<b>Deadline</b>	New procedures to apply from 1 January 2015
<b>Related links</b>	<p>Current Kentucky DOI Local Government Tax Bulletin  <a href="http://insurance.ky.gov/Documents/bulletin1401lgptschlisting040814.pdf">http://insurance.ky.gov/Documents/bulletin1401lgptschlisting040814.pdf</a></p> <p>Current Kentucky Premium Tax Schedule  <a href="http://insurance.ky.gov/Documents/LGPTSched050114.pdf">http://insurance.ky.gov/Documents/LGPTSched050114.pdf</a></p> <p>Kentucky Premium Surcharge Law  <a href="http://www.lrc.ky.gov/Statutes/statute.aspx?id=40342">http://www.lrc.ky.gov/Statutes/statute.aspx?id=40342</a></p>

## Overview

Under Kentucky statute, insurers writing Kentucky licensed business have a responsibility to pay municipal taxes (Section 91A.080(1)) and a premium surcharge (Section 136.392(1)) on risks located in Kentucky. Section 136.392(1) also requires the premium surcharge tax to be "collected by the insurer from its policyholders at the same time and in the same manner that its premium or other charge for the insurance coverage is collected."

Currently, brokers send the premium collected, less any brokerage and policy fees on Kentucky risks to Lloyd's Underwriters in London through central accounting while the tax monies are forwarded to Lloyd's Kentucky, Inc. in Frankfort, Kentucky. The current process is inefficient - requiring agents and brokers to split remittances to Lloyd's and requiring Lloyd's Kentucky to maintain a separate invoicing and credit control process.

## New procedures

With effect from 1 January 2015, all municipal taxes, premium surcharge and collection fees on licensed Kentucky business must be sent directly to Lloyd's Underwriters via Lloyd's

central accounting. The revised arrangement includes premiums and/or taxes collected on policies and endorsements in respect of previously processed transactions.

Lloyd's brokers should note that the change in procedure should be reflected on the London Premium Advice Note (LPAN), i.e. taxes are to be identified in Box 17 and included with net premium in Box 25. For binder facilities with declarations incepting in 2014, where tax has been remitted to Lloyd's Kentucky under the previous tax arrangements and is only now being presented to Xchanging for signing, Box 17 of the LPAN should show "Tax paid". This will be a transitional arrangement for Q1 2015 only. Xchanging will query any LPAN where Box 17 has not been completed.

**Tax payments should no longer be sent to the Kentucky office after 31 December 2014. Any payments received in the Kentucky office on or after 1 January 2015 will be returned to the source with instructions to forward the taxes along with the premium collected for processing through central accounting by Xchanging. In addition, invoices will no longer be sent by Lloyd's Kentucky, Inc. to the broker.**

Lloyd's Kentucky is still responsible for administering the payment of the taxes on licensed business and will collect tax through ARCS to ensure the remittance of the taxes in accordance with Kentucky statute. Lloyd's Underwriters will be responsible for credit control processes and ensuring taxes are paid to them. A bordereaux (by policy reference) will be available upon request detailing the taxes calculated by Lloyd's Kentucky to assist this process.

### **Further Information and Contacts**

If you have any queries about this market bulletin, please contact:

Bill Wallace, Vice President - Finance & Administration  
Lloyd's Kentucky, Inc.  
US +1 502 875 0412 UK +44 (0) 20 7327 7242  
[bill.wallace@lloyds.com](mailto:bill.wallace@lloyds.com)

Or

Ken Maier, Assistant Vice President – Finance and Regulatory Reporting  
Lloyd's Kentucky, Inc.  
Telephone: +1 502 875 0418  
[kenneth.maier@lloyds.com](mailto:kenneth.maier@lloyds.com)