



Independent Insurance Agents of Kentucky

February 18, 2019

Mr. Greg Fischer
Mayor of Louisville
527 W. Jefferson Street
Louisville, KY 40202

Dear Mayor Fischer,

The following is in response to your proposed municipal tax increase and the effects on the insurance industry in your new plan. An insurance premium tax increase singles out a particular industry and essential service needed by consumers for taxation. Insurance is a service that all consumers and businesses need in order to protect themselves and others against loss. Increasing the tax will make the service unaffordable for some causing them to be uninsured/underinsured or may force residents/businesses to locate outside the jurisdiction for competitive purposes. In general, the municipal premium tax makes KY a less attractive place for insurers to do business, since it is unique to KY and difficult and expensive for insurers to administer. It also discourages the development of a domestic insurance industry in KY because of retaliatory taxes from other states. Businesses who can, will increase the price of their goods and services and the individual taxpayer will end up paying the majority of the tax either directly or indirectly.

WHY INSURANCE?

Taxing insurance premiums at a local level is the easiest way to raise taxes without public input or a vote. It can be expected that a number of cities and counties will be raising their premium taxes for this reason. **Kentucky is one of two states that tax local and state insurance premiums and the ONLY state with variable local insurance premium taxes.**

MAJOR CONCERNS:

- The municipal premium tax makes KY a less attractive place to do business because it is unique to KY.
- Consumers could make a decision to not purchase insurance or buy lower limits due to the cost.
- Compared to other states, Kentucky is already high in premium due to taxes on insurance.
- Responsible consumers are being penalized for purchasing insurance in the event of a loss/catastrophe.
- The tax increase singles out insurance consumers to make up for the city/state's issues by penalizing a specific industry when all residents need to endure a tax.
- The perception is, carriers are raising premiums and as we know they are only responsible for collecting and passing the tax along. Consumers may not be able to distinguish the tax from a premium increase.
- The agents will be the messenger and could be perceived in a negative way in their effort to collect.
- It is the responsibility of the agent to determine the amount of taxes to be collected for each municipality and there are no checks and balances to verify if the tax is fairly apportioned to the correct location. Because the system is not audited, how do we know agencies are determining the correct tax code and in turn, the insurance companies are paying the correct tax to the appropriate municipality?
- Insurance companies charge fees based on the tax percentages, by not having a standardized collection fee, the financial burden is bestowed upon the city residents.

LOUISVILLE METRO SPECIFIC:

All the municipalities in Jefferson County will receive this tax because they have no authority and must follow metro tax rates for insurance. Louisville Metro is a pace-setter and will cause a domino effect throughout the state.

SOLUTION:

Do not impose a tax on the insurance industry alone. Make it a fair tax and one that would be shared among all industries and residents.

In conclusion, the insurance industry could have a market crisis on our hands, if companies decide not to do business and consumers stop purchasing insurance in our state as it would no longer be affordable.

The Independent Insurance Agents of Kentucky (IIAK) is the largest insurance trade association in the state, with more than 300 insurance agencies, employing more than 3,000 people as its members. Independent agents offer customers a choice of policies from a variety of insurance companies. This diversity enables flexibility, customization, competitive pricing and advocacy for the end consumer. These agents offer all lines of personal and business insurance including – property, casualty, life and health, as well as employee benefit plans and retirement products. IIAK members are Trusted Choice® agents committed to providing a high level of responsive, ethical, courteous and personalized customer service. The organization was founded in 1896. For more information, visit www.iiak.org. Trusted Choice® agents can be found at www.TrustedChoice.com.

If you have any questions, please don't hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Tara T. Purvis". The signature is fluid and cursive, with the first name "Tara" being the most prominent.

Tara T. Purvis
President & CEO
Independent Insurance Agents of Kentucky