

March 4, 2019

Mayor Fischer and Metro Council Members:

My name is John DeWeese. I am a licensed property and casualty insurance agent, President of Professionals' Insurance Agency, Inc. and the Mayor the City of Riverwood – a Louisville suburban city.

I am opposed to the Ordinance Amending Louisville Metro Code of Ordinances, Chapter 122 to Increase the Insurance Premium Fees. This plan is a Single Source Solution to a multi-faceted problem.

4 weeks ago – the Mayor proposed increasing the premium tax from 5% - 10% over 5 years including all current lines of authority currently taxes (including auto) to meet the pension shortfall

3 weeks ago – the Mayor changed his position and proposed increasing the premium tax from 5% - 15% over 5 years excluding auto premiums to meet the pension shortfall

2 weeks ago – the Goalposts were moved and the Mayor's sales force moved the dialogue from insurance premium tax to fund the pension shortfall to a general and "structural" budget shortfall and related issues

The ordinance identifies a \$50M pension shortfall, the C-J and Council Members have referenced \$65M and according to the materials distributed by Mr. Frockt and Budget Chairman Hollander, I calculate the PENSION ONLY INCREMENTAL OBLIGATION over the next 5 years to be \$165.5M.

The premium tax increase will raise an incremental \$339.3M over 5 years – the incremental pension obligation is \$165.5M. This produces an overage of approx. \$173.8M.

Question 1: Why is Metro raising so much money and how will it be spent?

The insurance premium tax increase singles out one industry and is:

- Bad for businesses
- Bad for the citizens
- Does not spread the obligation fairly
- Makes Louisville one of the highest, if not highest cities in KY for premium taxes (and nationally)
- May force policyholders to reduce coverage
- Provides no more coverage

- Makes the independent agent the “bad guy” delivering the Mayor’s increase

If the insurance premium is approved, it should include auto so Metro can spread the tax across as many policies as possible and at the lowest rate needed. It is just as unfair to exclude auto as it is to burden those who can afford to pay more on all other policies. Don’t get me wrong – I am AGAINST insurance premium tax as the only solution.

By my estimates, the needed rate to meet the incremental pension obligation (excluding auto) would begin at 6.2% and max out at 12.6% in 5 years (an average annual rate of 9%)

Question 2: Will you amend the ordinance to read “the increase in the insurance premium tax is sought for the express purpose of addressing Metro’s pension obligations?”

If auto was included, you could couple a lower tax rate with SPENDING CUTS and other revenues sources. Your baseline revenues will increase annually and naturally. Additionally, why wouldn’t you consider the maximum 4% property tax increase each year and/or a referendum to be voted on by the voters?

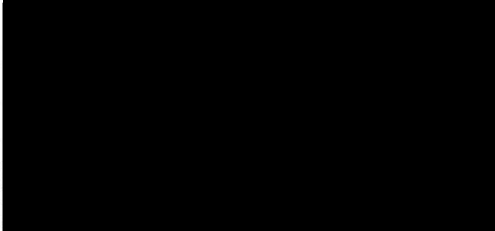
You are selling in March what should have been campaigned on in October and it is unfair to use insurance premium tax as the fix all.

Lastly, you and your sales force have threatened cuts to services. As a fellow Mayor, I have the same responsibility to prepare and manage a budget, levy and collect taxes, but most importantly, to provide ESSENTIAL SERVICES to our residents. I would suggest starting with a budget that provides Essential Services and then fill in the fluff, bike lanes, stadium and complex loans, new agencies and wanna be projects.

Thank you,

John M. DeWeese
Mayor, City of Riverwood

President
Professionals’ Insurance Agency, Inc.



Metro Louisville Insurance Premium Tax Analysis

2018-2019 Insurance Tax Revenue @5% \$65M \$1.3B Premium

Auto @ 40%	\$26M	\$520M in premium	X - not included
Other P&C @ 60%	\$39M	\$780M in premium	

FY Ending	millions Current @ 5%	\$780M x New Rate	Revenue millions Total	Revenue millions Incremental		SURPLUS+ millions Diff +/-		millions Current Pension		millions Total Pension Obligation
				Diff.	Incremental Obligation	Diff +/-	Incremental Obligation	In Budget	Pension	
2020	39	12.5%	97.5	58.5	9.7	48.8	9.7	76.7	86.4	
2021	39	12.5%	97.5	58.5	20.1	38.4	20.1	76.7	96.8	
2022	39	13.5%	105.3	66.3	31.7	34.6	31.7	76.7	108.4	
2023	39	15.0%	117	78	44.7	33.3	44.7	76.7	121.4	
2024	39	15.0%	117	78	59.3	18.7	59.3	76.7	136	
Total	195		534.3	339.3	165.5	173.8	165.5	383.5	549	

Budget Neutral Estimated Premium Tax Rates

Current Revenue (no auto) \$39M - \$780M Premium @ 5%

	Incremental		Incremental		Estimated		Proposed	
	Obligation	Premium	Rate	Current Rate	Total Rate	Total Rate	Total Rate	Total Rate
2020	9.7	780	1.2%	5	6.2%	12.5%	12.5%	12.5%
2021	20.1	780	2.6%	5	7.6%	12.5%	12.5%	12.5%
2022	31.7	780	4.0%	5	9.0%	13.5%	13.5%	13.5%
2023	44.7	780	5.7%	5	10.7%	15.0%	15.0%	15.0%
2024	59.3	780	7.6%	5	12.6%	15.0%	15.0%	15.0%
Total	165.5	\$3.9B	4.0%	5	9%	13.7%	13.7%	13.7%
			Avg.		Avg.	Avg.	Avg.	Avg.