

ORDINANCE NO. \_\_\_\_\_, SERIES 2019

AN ORDINANCE AMENDING LOUISVILLE METRO CODE OF ORDINANCES CHAPTER 122 TO INCREASE THE INSURANCE PREMIUM FEES (AMENDMENT BY SUBSTITUTION).

SPONSORED BY: COUNCIL PRESIDENT JAMES AND COUNCILMEMBERS SEXTON SMITH, HOLLANDER, MULVIHILL, AND WINKLER

**WHEREAS**, the Commonwealth has left us with the unenviable position of having a 50 million dollar pension obligation in our annual budget to be paid over the next several years due to mismanagement and poor investment of our pension system; and

**WHEREAS**, Louisville/Jefferson County Metro Government (“Metro”) cannot absorb this extraordinary expense without looking at new revenue or cutting existing services; and

**WHEREAS**, Metro wants to continue to provide services to its residents without sacrificing the quality and quantity of such services from police and fire protection to emergency services to road paving and infrastructure repair and improvements, community centers, libraries, affordable housing and parks and the services provided in conjunction with our other government and nongovernment partners; and

**WHEREAS**, in order to keep the momentum and economic renaissance we have built in Louisville and ensure we meet the needs of our residents, Metro is forced to take the unprecedented action to raise revenue, which has not been done since Merger and, in fact, no new taxes or rates have been increased since 1982 when the old City of Louisville increased the insurance premium tax from 2.5% to 5% and in 1990 when Jefferson County raised the insurance premium tax; and

**WHEREAS**, Metro cannot continue essential governmental operations with this pension obligation being handed down to us by the Commonwealth; and

**WHEREAS**, Metro wants to ensure that residents still are getting what they need and deserve and wants to minimize the loss of services upon which residents have come to depend; and

**WHEREAS**, while Metro will continue to consider other revenue options, we believe that an increase in the insurance premium tax is the most viable option for Metro to maintain as many services as possible; and

**WHEREAS**, the increase in funds generated by the increase in the insurance premium tax is sought for the express and sole purpose of addressing Metro's pension obligations.

**NOW THEREFORE BE IT ORDAINED BY THE LEGISLATIVE COUNCIL OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AS FOLLOWS:**

**SECTION I:** LMCO § 122.02 is hereby amended as follows:

**FEE FOR COMPANIES ISSUING LIFE INSURANCE POLICIES.**

The license fee imposed upon each insurance company which issues life insurance policies upon the lives of persons residing within Louisville Metro shall be based upon ~~5%~~ of the first year's premium and applied to the amount of such premiums actually collected within each calendar quarter by reason of the issuance of such policies. For the period of July 1, 2019 through June 30, 2020 the license fee shall be 9.5%; for the period of July 1, 2020 through June 30, 2021 the license fee shall be 9.75%; thereafter the license fee shall be 10%.

**SECTION II:** A new section of LMCO is hereby created and designated as LMCO § 122.04:

FEE FOR COMPANIES ISSUING INSURANCE POLICIES FOR MOTOR VEHICLES

The license fee imposed upon each insurance company which issues motor vehicles insurance policies for persons residing or entities located within Louisville Metro shall be based upon 5% the premium and applied to the amount of such premiums actually collected within each calendar quarter by reason of the issuance of such policies.

**SECTION III:** LMCO § 122.03 is hereby amended as follows and renumbered as LMCO § 122.05:

FEE FOR COMPANIES ISSUING POLICIES OTHER THAN LIFE, HEALTH, OR MOTOR VEHICLE INSURANCE.

(A) The license fee imposed upon each insurance company which issues any insurance policy which is not a life, or health, or motor vehicle insurance policy shall be based upon the premiums actually collected within each calendar quarter by reason of the issuance of such policies on risks located within Louisville Metro on those classes of business which such company is authorized to transact, less all premiums returned to policyholders. For the period of July 1, 2019 through June 30, 2020 the license fee shall be 9.5%; for the period of July 1, 2020 through June 30, 2021 the license fee shall be 9.75%; thereafter the license fee shall be 10%. The provisions of this section shall not include premiums received for insuring employers against liability for personal injuries to their employees, or the death of their employees, caused thereby, under the provisions of the Workers' Compensation Act or premiums from policies of health insurance.

(B) No license fee imposed under this section shall apply to premiums paid to insurers of municipal bonds, leases, or other debt instruments issued by or on behalf of the Metro or other political subdivision of the Commonwealth. However, the exemption shall not

apply if the bonds, leases, or other debt instruments are issued for profit or on behalf of for-profit or private organizations.

**SECTION IV:** A new section of LMCO is hereby created and designated as LMCO § 122.10:

Any and all proceeds derived from the increase in license fees after July 1, 2019, as authorized above, shall be deposited and carried in a separate and special account of Louisville Metro, to the maximum extent allowed by law and subject to the explicit requirement that Metro is obligated to satisfy its general obligation debt from any reservation of funds pursuant to LMCO 32.450, et seq, applied to the payment of Metro's annual obligation to the County Employee Retirement Systems which is greater than the obligation in Fiscal Year 2017-2018. Louisville Metro's Office of Management and Budget shall produce an annual report showing the proceeds derived from the license fees and the application of those proceeds to Louisville Metro's annual obligation to the County Employee Retirement Systems.

**SECTION V:** Upon approval of this Ordinance, Louisville Metro shall formally request that the Kentucky Attorney General investigate the setting of insurance rates in Louisville Metro's various zip codes and the justification and legality of the significantly higher rates in lower-income areas.

**SECTION VI:** Louisville Metro shall use its best efforts to encourage the Kentucky General Assembly to provide it with additional methods of raising revenue and shall revisit the increase in insurance license fees outlined above in the event additional revenue options become available.

**SECTION VII:** Sections LMCO §§ 122.04, 122.05, 122.06, 122.07, and 122.08 are hereby renumbered as LMCO §§ 122.05, 122.06, 122.07, 122.08, and 122.09, respectively.

**SECTION VIII:** This Ordinance becomes law upon its passage and approval and becomes effective by July 1, 2019.

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H. Stephen Ott  
Metro Council Clerk

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David James  
President of the Council

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Greg Fischer  
Mayor

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Approved Date

**APPROVED AS TO FORM AND LEGALITY:**

Michael J. O'Connell  
Jefferson County Attorney

BY: \_\_\_\_\_