

Insurance, legal and regulatory

IF1 2015 edition

Web update 02: 5 October 2015

Please note the following update to your copy of the 2015 edition of the IF1 study text:

Chapter 9, section E, page 9/7

Please replace the sentence 'There are two main rates:' and the subsequent bullet list with the following:

With effect from 1 November 2015, the lower standard rate of UK insurance tax (IPT) will increase from 6% to 9.5%. The higher rate for travel insurance and some vehicles, and domestic and electrical appliances, remains at 20%.

The new standard rate will be due on premiums received on or after 1 November 2015, except where insurers operate a 'special accounting scheme', rather than the 'cash receipt method'.

The special accounting scheme is based on written premiums and is used by the majority of insurers. The cash receipt method is used by around a third of insurers; in particular, insurers with high volume/low value business involving payment in instalments, such as health insurers.

For insurers operating a 'special accounting scheme' there will be a transitional period. The new standard rate of 9.5% will apply to premiums relating to risks with a start/renewal date on or after 1 November 2015. However, for policies with a start/renewal date before 1 November 2015, the old 6% rate of IPT will apply, provided the premium is paid by 29 February 2016.

From 1 March 2016, the new standard rate applies to all premiums, regardless of when the contract was entered into.

Most long-term insurances, together with reinsurance and insurance on ships, aircraft and goods-in-transit (internationally), are exempt from tax. Premiums for risks located outside the UK are also exempt, but they may be liable to similar taxes imposed by other countries. It is collected by the insurer in addition to the policy premium and shown separately in the policy documentation. Insurers must account to HM Revenue and Customs quarterly for tax that is due.

Chapter 9 self-test question/answer 7, pages 9/35 and ix

Please delete both question and answer.