

London Market insurance principles and practices

LM2 2016–17 edition

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Please note the following update (amendment in **bold**) to your copy of the 2016–17 edition of the **LM2** study text:

Chapter 5, section C, pages 5/8–5/9

Please replace the current text in this section, up until the 'Consider this' box, with the following:

In this section we will review one of the main taxes imposed by the UK Government on risks written in the UK. Insurance premium tax (IPT) is a tax levied by the UK Government on general insurance premiums in the UK. There are two rates: standard and higher.

The standard rate will increase from 9.5% to 10%, with effect from 1 October 2016. The higher rate remains at 20% for travel insurance and some insurances, such as those sold in conjunction with the purchase of vehicles and electrical appliances (and are sold as part of the wider deal, such as extended warranty).

Most long-term insurances, together with reinsurance and insurance on ships, aircraft and international goods in transit are exempt from IPT, as are most risks located outside the UK. These risks, however, may be liable for similar taxes imposed by other countries.