

- 14.** An insurer sells a property insurance policy, within an inception date of 1 October 2016, to a US company, for its UK based operations, with an annual gross premium of £100,000. How much UK Insurance Premium Tax will the insured be obliged to pay, if any?
- A.** Nil.
  - B.** £5,000
  - C.** £12,000
  - D.** £20,000

**Key option: C**

**Learning outcome: 5.5**

Andrew places business for his clients at Lloyd's.

David, an underwriter of a Lloyd's syndicate, asks Andrew to place a type of reinsurance to protect his account from catastrophe losses.

Andrew obtains terms from Paul, an underwriter at a Lloyd's syndicate, who decides he will write a line of 20%. Another underwriter, Caroline, writes 10%. By the end of the week, Andrew advises David he has fully placed the risk at Lloyd's and that it is over subscribed. He signs down to 80%. Caroline has a treaty that reinsures 25% of all her business.

A few weeks later David's syndicate, who has insured a fleet of aircraft with a maximum agreed value of \$20,000,000 each, is advised that the airline is buying a new aircraft at \$80,000,000 and is asked to add it to the policy. David does **NOT** want to reduce his line and Andrew is asked to obtain a quote so that his exposure on the aircraft is reduced to the \$20,000,000; the quoted premium for this is \$50,000.

During the first year an aircraft in the fleet is damaged and the cost to repair, net of deductibles, is \$2,000,000. The loss adjuster reports that the damage was caused by a ground-handling company which is also insured by David's syndicate.

73. What would be the amount of Insurance Premium Tax on the \$50,000 premium, if any?
- A. Nil.
  - B. \$3,000
  - C. \$6,000
  - D. \$10,000

**Key option: A**

**Learning outcome: 5.5**