

Insurance underwriting process

IF3 2016–17 edition

Web update 01: 24 March 2016

Please note the following updates (amendments in **bold**) to your copy of the 2016–17 edition of the IF3 study text:

Chapter 2, section F3, page 2/10

Please delete the text from the third paragraph (beginning 'At the time of writing') onwards and replace it with the following:

In the March 2016 Budget, it was announced that the standard rate of IPT will increase from 9.5% to 10% with effect from 1 October 2016. The higher rate remains at 20% for travel insurance, engineering inspection service fees charged by some insurers, and some insurances sold in conjunction with the purchase of vehicles and electrical appliances (e.g. sold as part of a wider deal, such as an extended warranty).

Most long-term insurances, together with reinsurance and insurance on ships, aircraft and goods-in-transit (internationally), are exempt from the tax. Premiums for risks located outside the UK are also exempt, but they may be liable to similar taxes imposed by other countries.

Chapter 2, question 2.6, page 2/10

Please replace the current question with following:

What would the amount of IPT be on a buildings policy inceptioned on 1 October 2016, with a sum insured of £100,000 at a rate of 0.4%?

Chapter 2, question answer 2.6, page 2/12

Please replace the current answer with the following:

£40, i.e. $£100,000 \times 0.4\% = £400$; $£400 \times 10\% \text{ IPT} = £40$.

Chapter 2, answer to self-test question 8, page iii

Please replace the current answer with the following:

Insurance premium tax is a tax payable on most insurance premiums, paid to HM Revenue and Customs (although collected by insurers). The rate is currently 9.5% but will increase to 10% from 1 October 2016. This is for all policies except travel insurance and some engineering insurances which have a rate of 20%.

Chapter 2, key points, page 2/11

Please amend the first sentence of the final point to read:

The rate of IPT is currently 9.5% but will increase to 10% for policies from 1 October 2016.

Chapter 3, section B3, page 3/6

Please change the date in the last line of this section from 2015 to 2016.

Chapter 10, section E1, page 10/7

Please change the rate in the first line of this section to read:

There is a sales tax, currently varying from 9.5% **(this will increase to 10% on 1 October 2016)** to 20% depending on the class of business.

Chapter 10, key points, page 10/9

Please change the rate in the final point to read:

Insurance attracts IPT at a rate of 9.5% **(this will increase to 10% on 1 October 2016)** subject to some exceptions.