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