

ADVISER

GLOBAL INSURANCE REGULATORY AND PREMIUM TAX UPDATE

The following insurance regulations and premium-related tax news could affect the insurance arrangements of a multinational group.

AUSTRALIA: NEW SOUTH WALES – EMERGENCY SERVICES LEVY

The New South Wales (NSW) Government has announced changes to the way in which fire and emergency services are to be funded. With effect from July 1, 2017, all property owners will pay a levy, replacing the existing system. Currently, individuals and businesses insuring property in NSW contribute to the Emergency Services Levy as part of their insurance premiums. For policies commencing from July 1, 2017, the NSW Government intends that the Emergency Services Levy will no longer be included as part of the cost of your property insurance.

Funding for the emergency services agencies will be collected alongside local council rates. Councils will clearly show the new levy as a separate item on their council rates notice. This change in the method of collecting funding for those agencies is intended to ensure all property owners contribute their fair share to the cost of emergency services, rather than only those choosing to insure their property.



BRAZIL – CHANGE IN REINSURANCE LEGISLATION

As previously mentioned in an earlier Marsh bulletin (January 2016), the Council of Private Insurance (Conselho Nacional de Seguros Privados, CNSP) in Brazil published Resolution No. 322 on July 20, 2015. That resolution set in motion the relaxation of the reinsurance restrictions gradually over five years, starting from January 1, 2017.

The new limits for reinsurance contracts between companies (provided they are admitted or occasional reinsurers) with related parties or with companies belonging to the same financial conglomerate will be as follows:

- 30% from January 1, 2017 until December 31, 2017.
- 45% from January 1, 2018 until December 31, 2018.
- 60% from January 1, 2019 until December 31, 2019.
- 75% from January 1, 2020.

Furthermore, the minimum mandatory cession to local reinsurers will be gradually reduced as follows:

- 30% from January 1, 2017 until December 31, 2017.
- 25% from January 1, 2018 until December 31, 2018.
- 20% from January 1, 2019 until December 31, 2019.
- 15% from January 1, 2020.

CANADA: PRINCE EDWARD ISLAND – INCREASE IN PREMIUM TAX RATE

With effect from January 1, 2017, the province raised the premium tax rate from 3.5% to 4% and eliminated the 1% fire tax. The new premium tax rate on either property or liability policies is now 4%.

COLOMBIA – TAX LAW CHANGES

On December 29, 2016, Colombia enacted Law 1819, which makes substantial changes to the current tax legal framework, including changes to VAT and withholding taxes that would impact insurance and reinsurance premiums. The VAT rate has been increased from 16% to 19%. Additionally, all reinsurance premiums paid to overseas resident reinsurers will attract a 1% withholding tax, subject to double tax treaty exemptions.



GREECE – SHIPS AND AIRCRAFT EXEMPTION

The Greek tax authorities issued a bulletin on February 22, 2017, which clarified that insurance contracts for ships and aircraft will be exempt from Greek premium tax of 15%.

GULF COOPERATION COUNCIL MEMBER STATES – VALUE ADDED TAX (VAT)

Gulf Cooperation Council (GCC) member states – namely Bahrain, Kuwait, Sultanate of Oman, Kingdom of Saudi Arabia, and United Arab Emirates – have signed the GCC VAT Framework Agreement, which paves the way for each GCC state to develop and implement its own VAT regime in 2018. The standard VAT rate will be 5%. While there is a requirement for all GCC countries to have VAT in place by the end of 2018, the aim is to implement it by January 1, 2018 to avoid distortions between those who have and have not implemented a VAT regime, particularly for intra-GCC trade.

It is unclear at this stage whether non-life insurance policies will be taxable or exempt.

INDIA – REINSURANCE REGULATION

On January 16, 2017, the Insurance Regulatory and Development Authority of India announced that, with immediate effect, the placement of all Indian reinsurance business will be subject to “Order of Preference” Regulations (“the Regulations”). The Regulations create a tiered system, whereby Indian insurers are required to cede business to reinsurers according to a prescribed order of preference.

KENYA – MARINE CARGO INSURANCE

The Insurance Regulatory Authority of Kenya issued a public notice stating that, with effect from January 1, 2017, most marine cargo insurance in Kenya can only be written by local insurers. The requirement for local insurance is contained in Section 20 of the Insurance Act, which stipulates that Kenyan insurance business should not be placed with insurers not registered under the Act. This section had not been previously enforced in practice in respect of marine cargo policies due to local compliance challenges. However, the Kenyan Government has recently instructed Kenya Revenue Authority to work with stakeholders to fully implement Section 20 of the Insurance Act. As a result, most marine cargo shipments with foreign insurance policies may not be permitted to enter Kenyan ports.

MACAU – COMPULSORY PROFESSIONAL LIABILITY INSURANCE FOR HEALTHCARE PROVIDERS

Administrative Regulation No. 5/2017, which came into force on February 26, 2017, introduces compulsory professional liability insurance requirements for all healthcare providers. The minimum sum insured amounts vary, depending on the type of healthcare establishment and the number of natural persons rendering such services at the premises of the establishment.

NETHERLANDS – EXEMPTIONS FROM INSURANCE PREMIUM TAX

On February 14, 2017, a new decree was published that clarifies exemptions from Dutch insurance premium tax of 21% on the following:

- Inland waterway vessels subject to satisfying certain specific conditions.
- Insurance policies covering mortgage-related interest in a seagoing vessel in instances where the creditor, rather than the ship-owner, takes out the insurance.
- Pleasure crafts for commercial use.
- Export credit insurance, provided that there is a Dutch interest (in the form of credit or capital) in the export of goods or services from the Netherlands.

Additionally, the decree makes it clear that, where a leading co-insurer collects the total premium payable under an insurance contract, that insurer can remit the Dutch premium tax on behalf of other co-insurers. The leading insurer may only collect and pay the Dutch premium tax if there is no local broker involved. If a local broker is involved that collects the insurance premiums, then it is responsible for collecting and remitting the Dutch premium tax.

NORWAY – TAX ON FINANCIAL ACTIVITIES

With effect from January 1, 2017, entities engaged in financial activities, including insurance companies and brokers, would be subject to a 5% tax, which is based on the compensation paid to its employees. This tax would qualify for corporate income tax.

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

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RUSSIA – REINSURANCE REGULATION

Federal Law N° 363-FZ, dated July 3, 2016, amended the law on “Organization of the Insurance Industry in the Russian Federation”. This Law established the creation of a National Reinsurance Company (NRC) in Russia. NRC was incorporated on October 12, 2016.

The law stipulates that, with effect from January 1, 2017, all insurers/reinsurers resident in Russia must offer a 10% quota of the risks to the NRC. NRC will participate, according to the law, in the facultative placements and also treaty contracts.

SLOVAKIA – INSURANCE LEVY

All premiums paid under a new non-life insurance contract concluded after January 1, 2017 will be subject to an 8% insurance levy. This tax is payable by the insurers from the insurance premiums received from the insured under a contract of insurance covering risks located in Slovakia.

UK – INCREASE IN INSURANCE PREMIUM TAX

The UK Government has announced that the standard UK insurance premium tax (IPT) will increase by 2% (from 10% to 12%), with effect from June 1, 2017. All insurance contracts incepting on or after this date will be subject to 12% IPT on the portion of the premium relating to risk located in the UK.



CONTACT

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