

## MARSH INSIGHTS:

# 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.

### CANADA: ALBERTA – PREMIUM TAX INCREASE

On March 26, 2015, the Finance Minister of Alberta delivered the province's budget in which he announced that effective April 1, 2016, the insurance premium tax will increase to 3% for life, accident, and sickness insurance, and to 4% for all other classes of insurance.

### GREECE – INCREASE IN INSURANCE PREMIUM TAX RATE

Effective July 16, 2015, the insurance premium tax rates for property (excluding fire) and liability classes of risks has been increased to 15% premium tax (previously 10%). In respect of the fire portion of the property premium, the premium tax rate remains at 20%. The effect of these changes on the various classes are summarized below:

- Fire and Allied Perils: Fire 20% (remains unaltered). All other perils (such as earthquake, flood, and terrorism) will be subject to 15% (from 10%). The effect in property insurance is that the average tax rate now will be 15.5% (from 11%); an overall increase of 4.5% on the basis that the split between fire and additional perils is 10:90.

- Casualty: 15% from 10%.
- Personal accident: 15% from 10%.
- Cargo insurance: Imports and exports 15% (from 0%) and inland transit 15% (from 10%).
- Hull and aviation: 15% from 0%.
- Motor insurance: 15% from 10%.
- Life insurance: 4% (remains unaltered).
- Medical: 15% (from 10%).

### INDIA – INCREASE IN SERVICE TAX ON INSURANCE PREMIUMS AND BROKER FEES

Effective June 1, 2015, the rate of service tax has been increased from 12% (plus education taxes amounting to 0.36%) to a consolidated rate of 14% inclusive of these cesses.

### INDONESIA – RESTRICTION ON NON-ADMITTED INSURANCE

Following the implementation of the new 2014 Insurance Law, foreign insurers are only permitted to insure risks located in Indonesia where no Indonesian licensed insurer(s) has the ability to retain the risk or no local insurer is willing to provide cover.

The exemption under the old 1992 Insurance Law allowing cover by foreign insurers, where the Indonesian risk is owned by a foreign entity, has now been removed.

### INDONESIA – NEW PROPERTY TARIFF RATES

The new 2015 tariff rates came into effect as of June 30, 2015. In summary, the new tariff rates are likely to lead to the following potential changes to the premium costs:

- Values above US\$1 billion written in one policy are allowed to follow international market rates.
- Values above US\$300 million up to US\$1 billion may experience premium increases of up to 35%.
- Values between US\$100 million and US\$300 million written in one policy will see lower premium increases of between 5% - 15%.
- Values below US\$100 million may experience marginal increase in premiums of less than 5%.

### MALAYSIA

Effective April 1, 2015, a new indirect tax regime was introduced called Goods and Services Tax (GST).

Consequently, non-life insurance and reinsurance premiums payable to registered insurers for risks that are located in Malaysia will be subject to 6% GST as of that date.

## NAMIBIA – COMPULSORY CESSIONS

With effect from April 13, 2015 the proportion of reinsurance business ceded by all registered long-term and short-term insurers and reinsurers to Namibian National Reinsurance Corporation (NAMIBRE) where there is no standalone reinsurance contract issued in Namibia, will increase from the current 7.5%. The increase will be effected in a gradual manner of 2.5% per annum until the said percentage reaches 20%.

## SERBIA – NON-ADMITTED INSURANCE

The provisions of the new Insurance Law that came into effect on December 26, 2014, is to be applied from as of June 26, 2015. This new law specifically states that local companies may conclude an insurance contract only with a licensed Serbian insurer.

## SOUTH KOREA – PROPERTY TARIFF RULES CHANGED

Effective April 1, 2015, property damage (excluding business interruption) policies with a value of KRW20 billion (about US\$18 million) and below must use local tariff rates.

## TURKS AND CAICOS ISLANDS

Effective April 1, 2015, the Freight and Insurance Tax of 7.5% has been repealed.

## UNITED KINGDOM – INCREASE IN INSURANCE PREMIUM TAX RATE

The UK Government announced on July 8, 2015, that the standard UK Insurance Premium Tax (IPT) will increase by 3.5 percentage points (from 6% to 9.5%), as of November 1, 2015. The higher rate of 20% for insurance supplied with selected goods and services (such as certain travel, motor cars, and domestic appliances) remains unchanged. The current standard UK IPT rate of 6% is one of the lowest in the European Union (EU), and after the increase in the standard UK IPT rate to 9.5%, it will still be lower than that of many other EU member states.

Anti-forestalling provisions are in place to prevent tax avoidance.

## VIETNAM – PREMIUM PAYMENT TERM

Circular 194/2014/TT-BTC dated December 17, 2014, provided particular guidance on implementation of insurance business rules and regulations, which came into effect on February 1, 2015. Specifically, it states that only a 30-day payment term will be offered to an insured to pay its insurance premium with no allowance for further extension for payment. Where the insurance buyer has not fully paid the premium within the time limit for payment of premium, the insurance contract shall terminate with effect from the expiration of the time limit for payment of premium.

## CONTACT

If you have any questions about insurance regulations and premium-related tax issues, please contact

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