HMRC - IPT04275 - Long-Term Business: Definition Of Permanent Health Insurance (PHI)

Contracts written as general business are taxable for IPT because they fall outside the classes of long-term insurance. The definition of PHI, which is exempt from IPT, is similar to the definition of Accident and Sickness insurance which are both taxable. Accident and Sickness insurance and PHI are often confused because they are commonly referred to as “health insurance”. If you have any difficulty in determining whether a contract is exempt PHI, you should, as a first step, check the wording of the contract against the RAO classes (see IPT04100). If a contract is exempt PHI, it should display the following characteristics:

it will provide cover against incapacitation;

it will provide cover either for a period of

it will usually specify that:

there will often be a period of deferral, say 13 weeks, before benefit is paid. A valid claim will usually require that the insured is unable to follow any occupation following illness or an accident. Benefit will normally be payable monthly, although some policies known as critical illness policies provide for a lump sum payment.

You may want to confirm which classes of insurance an insurer is authorised to write. You might also find it useful to establish whether the business is written in the general fund or the long-term fund (under the law, the funds must be kept separate). In contrast to PHI, accident/sickness insurance is written as an annual contract so that the insurer can refuse to renew. In cases of particular difficulty you should contact the UoE or Financial Services Team (see IPT08100).

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