HMRC - IPT05500 - Discounted Premiums

Where an insurer offers a discount on the value of a premium to the insured, this effectively reduces the value of the premium that is liable to IPT. Here are some examples of such discounts.

No claims discount (or bonus): This is a type of discount frequently offered in motor insurance business. If the insured does not make a claim in the period covered by the policy, a discount is offered on the renewal premium. This discount can rise to amounts as high as 60% of the premium with an extra 5% available for an insured who has the maximum discount for repeated years.

Introductory discounts: When an insurer wishes to expand an area of their business they may offer a discounted premium to attract new customers.

Renewal discounts: When an insurer wishes to maintain the same level of business, especially in the face of competition, they may offer discounts to current customers who renew their policies with them.

Good customer discounts: These are similar to renewal discounts. They may be offered to customers who are prestigious or require, and pay for, extensive insurance cover. Insurers offer these discounts to keep these customers, and maintain their market position.

Previous page

Next page