HMRC - IPT05750 - Employers' Liability Insurance

Under the Employer’s Liability (Compulsory Insurance) Act 1969, an employer must hold 100% cover for their employers’ liability with an authorised insurer. This means that an employer is effectively barred from self-insuring any part of the risk and premiums charged for employer’s liability cover can not therefore be reduced by the use of an excess or deductible.

However, in order to keep the cost of premiums down, insurers and their customers might agree that, whilst the insurer is ‘on risk’ for 100% of the claims, the employer will effectively meet claims up to a certain level. They do this by reimbursing the insurer for the cost of these smaller claims.

In the same way that HMRC view payments relating to an excess or deductible, the reimbursements paid to the insurer under employer’s liability policies are not seen as payments due to the insurer under the insurance contract and are not, therefore, part of the premium for IPT purposes.

This applies only to employer’s liability policies where the circumstances outlined above apply. In other circumstances where there is any suspicion that reimbursement arrangements have been put in place in an attempt to deliberately avoid IPT, or to gain an unfair advantage, you should contact the Financial Services Team (see IPT08100) for further advice.

Previous page

Next page