HMRC - IPT05880 - Local Decisions On Apportionment

The formulae at IPT05840 are not prescriptive. Once you have established that an insured party has an establishment abroad, and a clearly identifiable risk attaching to that establishment, you may adopt any method of apportionment to reflect a non-UK risk (or other exempt risk) that you and the insurer consider give a just and reasonable result. There is an expectation that the insurer will normally adopt a consistent approach and use the same method for each similar type of policy. If this is not the case then we would need to see strong evidence to support any variation.

In agreeing a method of apportionment you may need to take account of many factors such as the premium weighting given by insurers to reflect greater risk of terrorism, earthquake, or litigation, or the impact of an excess clause. If, for example, you use a formula which relies on the value of buildings, and the insurance policy in question has an excess in place, the apportionment may need to reflect this.

For example, an insured has a building in London, and another in France, and both these buildings are valued at £10 million. However, the building in France is subject to a £5 million excess. Assuming that the premium relating to each building is equally weighted by reference to other factors (e.g. exposure to terrorism) you and the insurer may agree that the apportionment formula should reflect the fact that the insurer will be charging more of the premium to reflect the insurer’s greater liability in relation to the London building, and so the formula may be amended

Alternatively, you and the insurer may agree that, because of other factors, more of the premium relates to the French building. It is down to you to negotiate a fair result with your insurer and there is no prescriptive formula for this.

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