HMRC - IPT05940 - Effect Of The De Minimis Limits On ‘Layered’ Insurance

The situation is different where several insurers cover one or more insurable interests but they each take on different risks. For example, a large building may have total damage cover of £50M, but this cover may be split between three insurers. One insurer may insure the building for damage from £0 - £10M, and the second from £10M - £25M, and the third for damage of £25M. - £50M.

This is referred to as ‘layered’ insurance. As each insurer covers a different risk, the de minimis limits may be applied to the premium covering each of the three separate risks, (that is, the premium relating to each layer).

Example of ‘layered’ cover - total cover £50M:

25M - 50M ‘layer’ - 3rd layer

10M - 25M ‘layer’ - 2nd layer

0 -10 Million ‘layer’ - 1st layer

Where a group of insurers co-insure a ‘layer’ - that is, a risk in a layered insurance arrangement - the de minimis limits apply to the premium for each ‘layer’ as a whole. The de minimis provision may not be applied to the premiums received by each separate co-insurer in relation to each insurer’s share of the risk.

Below is an example of ‘layered’ cover. The total cover is for £50 million under a co-insurance arrangement, with three co-insurers per layer. Insurers M, N and O may, if it is appropriate, apply the de minimis provision to the whole premium for the 10-25 million layer but not to the share of the premium written by each of them on an individual basis.

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