

Important Information

IPT Rate Change

As you'll be aware, the Summer Budget 2015 announced that the standard rate of IPT will increase to 9.5% with effect from 1 November 2015.

As one of our Customers, it is very important to us that you understand the changes.

This document sets out NIG FarmWeb's approach and clearly states your broker's role and responsibilities in ensuring all Customers with policies placed with NIG are properly informed about the change and its implications.

Should you have any queries relating to this change, please contact Sonya Bryson or Andrew Brock @ FarmWeb.

IPT Rate Change

1.0 HMRC Rules

As NIG are using the Special Accounting Scheme for IPT, the new standard rate of IPT will be applicable to policies which incept on or after 1 November 2015. Policies incepting prior to 1 November will be charged at the existing rate. These charges apply regardless of when payment is made.

In addition any mid term adjustment will continue to be calculated at the existing rate, for cases incepting prior to 1 November 2015, up to the end of February (the Transitional Period).

All adjustments resulting in an additional premium will be charged at the new rate of tax where the effective date is 1 March 2016 onwards, regardless of when the policy incepted.

There is no change to the higher rate of IPT.

2.1 IPT Calculation

NIG will be reflecting the general market trend, and will be applying the standard rate of IPT as follows:

Policy period begins prior to 1 November 2015

- New Business incepting prior to 1 November 2015 at 6%
- Renewals effective prior to 1 November 2015 at 6%.
- MTAs generating additional premium and effective prior to 1 March 2016 at 6%.
- MTAs generating additional premium and effective on or after 1 March 2016 at 9.5% .
- MTAs or Cancellations generating a return premium at any point on a policy effective prior to 1 November 2015 at 6% - regardless of whether there have already been MTAs attracting additional premium and IPT at 9.5%. NIG's approach to return premiums is in line with the rest of the market place.

Policy period begins on or after 1 November 2015

- New Business incepting on or after 1 November 2015 at 9.5%
- Renewals effective on or after 1 November 2015 at 9.5%
- MTAs generating additional premium and effective on or after 1 November 2015 at 9.5% regardless of the policy effective date
- MTAs or Cancellations generating a return premium at any point on a policy effective on or after 1 November 2015 at 9.5%.

3.1 Customer Communication – Your Responsibilities

In order to ensure we are Treating the Customer Fairly you must ensure that any Customer requesting an adjustment effective on or after 1 March 2016, which results in an additional charge, understands that any subsequent return premium will be subject to the IPT rate applicable at the beginning of the insurance period i.e. at inception or last renewal.

Additionally, in the case where an NIG fee is applicable to a change or cancellation effective on or after 1 March 2016, it is important that you explain the impact of the IPT change on this fee:

- Fees for changes resulting in an additional premium on a policy which incepted or renewed prior to 1 November 2015 will attract 6% IPT until the end of February, this rate will increase to 9.5% for any changes resulting in an additional premium effective from 1 March 2016.
- Fees for changes or cancellations resulting in a return premium on a policy which incepted or renewed prior to 1 November 2015 will attract 6% IPT.

- All fees incurred on policies started or renewed on or after 1 November 2015 will attract 9.5% IPT.

At quotation stage, it is important that you supply us with an accurate inception date wherever possible. The IPT within our quotations could be subject to change if the inception date used to calculate the IPT rate changes, and you must ensure the Customer is aware as appropriate.

4.0 Customer Documentation

All letters and schedules NIG is responsible for supplying, either direct or via Software houses, will be updated with the correct IPT rate.

If you are responsible for producing and supplying customer documentation, you must ensure that they reflect the correct IPT charges.

5.1 Software House Transactions

If you transact business using a major Software house, the associated calculations and documentation will be amended to calculate and display the correct IPT. This includes:

- Acturis
- Data Matters
- Open GI
- TGSL
- CDL
- Insure Com
- SSP
- NIG Network

SSP and Open GI are the only software houses that will not be adopting the transitional period and as a result will be applying the new rate of IPT to MTAs which attract an additional premium on policies incepted prior to 1st November 2015.

6.1 Delegated Premium Calculation

If you are responsible for calculating policy premiums on behalf of NIG, it is important that you make us aware as soon as possible if you believe you will be unable to comply with any element of the rate change. You should be able to:

- Calculate which rate of IPT is applicable to a new policy based on the inception date, and reflect the correct IPT amount in any quotation offered
- Calculate which rate of IPT is applicable to a renewal based on the renewal date, and reflect the correct IPT amount in any renewal notice supplied
- Apply the increased rate of IPT to any Mid Term Adjustment effective on or after 1 March 2016 and which generates an Additional Premium
- Apply the correct rate of IPT to any Return Premium, as originally applied to the Policy. Where multiple IPT rates have been applied to a policy, any refund following a reduction in cover or a cancellation will attract the IPT rate applied at the beginning of the period of insurance. NIG's approach to return premiums is in line with the rest of the market place.

7.0 Bordereau Submissions

If you are responsible for providing NIG with a bordereau of transactions in a spreadsheet, this bordereau must clearly identify the rate of IPT applied to each transaction.

You should also note that NIG reserves the right to audit your submissions to ensure they are compliant with HMRC's requirements.

