

Govt 76 + Govt 77 + Govt 78

Mr Stephen Timms (Labour, East Ham)

Amendment 76 Schedule 11, page 172, line 38

leave out from first ‘the’ to ‘and’ in line 40 and insert ‘reinsurance to close amounts of the members,’

Amendment 77 Schedule 11, page 173

leave out lines 1 to 6 and insert–

‘(a) the reference to reinsurance to close amounts of any member of a Lloyd’s syndicate is to any consideration which, in accordance with the rules or practice of Lloyd’s, is given (or any amount which, in accordance with those rules or practice, is treated as consideration given) by the member in respect of the liabilities arising from the member’s underwriting business in an underwriting year for the purpose of closing the accounts of the business for that year, and’.

Amendment 78 Schedule 11, page 173, line 19

at end insert–

‘(10A) The Commissioners for Her Majesty’s Revenue and Customs may by regulations–

(a) provide in prescribed circumstances for paragraph 1 not to apply in relation to any member of a Lloyd’s syndicate, or

(b) provide in prescribed circumstances for a reduction in relation to any member of a Lloyd’s syndicate of the amount which (as a result of that paragraph) is not to be taken into account in the calculation mentioned in sub-paragraph (2) of that paragraph.’.

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EXPLANATORY NOTE

SUMMARY

1. The amendments amend a definition within Schedule 11 and introduce a new power to make relieving Regulations.

DETAILS

Amendment 76 and 77

2. These amendments together substitute for “reinsurance to close contract” the term “reinsurance to close amounts”.
3. The commercial meaning of “reinsurance to close” has evolved over time and the substituted definition reflects the commercial meaning today.

Amendment 78

4. The Amendment introduces a new power to make Regulations to limit the effect of Schedule 11 on Lloyd’s members in prescribed circumstances.

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BACKGROUND NOTE TO AMENDMENTS

1. Clause 41 and Schedule 11 introduce new rules dealing technical provisions made by general insurers, which include members of syndicate at Lloyd's. The Schedule states that, at Lloyd's, the term "technical provisions" refers (among other things) to premiums paid under reinsurance to close contracts.
2. Amendments 76 and 77 originate from discussions with Lloyd's about Schedule 11. They substitute for "reinsurance to close contract" the term "reinsurance to close amounts", which is then defined. The meaning of "reinsurance to close" has evolved over time and the amendment reflects the commercial meaning today. The substituted definition covers circumstances not captured by the current definition and restores the Schedule to its intended scope.
3. Amendment 78 originates from representations by Lloyd's about Schedule 11. It introduces a new power to enable Regulations to deal with circumstances where the Schedule could have unintended and unfair consequences for members' tax computations.
4. Regulations under the power will be relieving. They can only reduce or eliminate the effect on Lloyd's members of an adjustment under Schedule 11.