LLOYD'S

MARKET BULLETIN

REF: Y4968

Title	Claims Equalisation Reserves – new regulations
Purpose	To explain the tax implications for Lloyd's members of the repeal of Claims Equalisation Reserves rules
Type	Information
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Date	5 February 2016
Deadline	
Related links	CER bulletin Y4339 CER Bulletin Y4340

Purpose

The purpose of this bulletin is to explain the provisions set out in The Lloyd's Underwriters (Transitional Equalisation Reserves) (Tax) Regulations 2015[1].

Background

Claims Equalisation Reserves (CERs) for Lloyd's were introduced by Finance Act 2009. The rules aligned the tax treatment of Lloyd's members' reserves with general insurers' reserves. Lloyd's bulletins Y4339 and Y4340 issued on 27 November 2009 contain further details.

Finance Act 2012 repealed the CER and introduced transitional rules permitting general insurance companies to spread the impact of repeal. The Lloyd's Underwriters (Transitional Equalisation Reserves) (Tax) Regulations 2015 modify the relevant sections of FA 2012[2] for Lloyd's members.

[1] SI 2015 /1983

[2] s26(4) to (8) and s27 FA 2012

Implications

Setting up of a CER was optional for Lloyd's members and was a tax adjustment only.

Where a corporate member or partnership member maintains a CER, one sixth of the amount of the equalisation reserve at 31 December 2015 should be treated as a taxable receipt of the member's underwriting business in each of the 6 years ending 31 December 2016 to 31 December 2021. This corresponds to Years of Account (YOA) 2013 – 2018.

Where a member ceases to underwrite in this period the reserve is taxable in full in its final YOA. Members may make an irrecoverable election to accelerate the taxation of any amount remaining in the reserve – i.e. to tax the remaining balance at any point in the 6 years.

Please note that Lloyd's Tax Operations team does not have details of the amounts in members' CERs and that, given that the reserve is now closed, we will no longer be providing CER reports to members.

Contacts

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