

The Rt. Hon. G. Osborne MP
H.M. Treasury
1 Horse Guards Road
London
SW1A 2HQ

Thursday
19 November 2015

Dear Mr Osborne

Insurance Premium Tax on Healthcare Insurance Products – OPEN LETTER

At present, life insurance, permanent health insurance and all other ‘long term’ insurance products are exempt from Insurance Premium Tax (IPT) and I am writing to urge you to include healthcare insurance products in that category.

The latest increase in the rate of IPT from 6% to 9.5% from 1 November could damage healthcare substantially in the UK with circa 6.5 million people with health cash plans and private medical insurance according to healthcare intelligence provider Laing Buisson. Individuals and companies will be driven away from making their own healthcare arrangements due to rising and uncertain tax levels resulting in significantly greater demand on the already resources strapped NHS. Looking at the claims that we’ve paid over the last year, there would have been extra demand on the NHS if Medicash alone didn’t exist of around £10m, as we cover private healthcare treatments such as physiotherapy. We form an extremely small part of the health insurance sector.

As the current Government is looking to improve productivity rates within businesses so this tax increase appears a complete anomaly. Businesses should be encouraged to offer healthcare insurance to employees not be put off from doing so by adding a tax uplift. Business productivity across the UK will fall as absenteeism increases due to health issues. Your tax change will have an unexpected negative impact on the long term economic wellbeing of the nation. By being able to access treatment more quickly recovery is speedier and the problem ultimately less severe.

We understand that IPT has been raising over £3bn each year prior to the 1 November rate increase and believe the Government estimates to raise an additional £1.75bn revenue per annum from the latest increase. However, in reality, this increase in revenue will prove to be a lot less if businesses move to IPT exempt solutions such as healthcare trusts, which the larger employers are likely to do, and individuals and smaller companies just stop paying for private healthcare products altogether.

You assured us that we should be grateful that the British rate of IPT is only at 9.5%, rather than 20% as within much of Europe; however, whilst the headline IPT rate varies within the European Commission countries, health insurance in the major economies of Europe is exempt from IPT.

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We hope that you will appreciate the importance of including healthcare insurance products in the same category as other 'long term' insurances and make it exempt from IPT, as this change will take some pressure off our NHS; support the health of individuals, families and employees; and, the health of our businesses.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sue Weir'.

Sue Weir
Chief Executive