



From: C S McNICOL

INLAND REVENUE
POLICY DIVISION
SOMERSET HOUSE

8 December 1984

*Concise policy
But*

H. Hawes

FST

Bridgeman

Mem. 18.12

1. MR MUNRO
2. FINANCIAL SECRETARY

LIFE ASSURANCE PREMIUM RELIEF:
REQUEST FOR CONCESSION

*Think Dept of Energy
need to be made aware
of this (R No 10)
M. - IDT*

1. We propose to resist a number of requests we have recently had to extend an existing concession in the life assurance area. This could be a sensitive problem because it concerns life assurance policies held by striking miners.
2. Because many striking miners have been unable to keep up premium payments on their life assurance policies, the policies have lapsed - this normally happens when the premium is overdue by more than 30 days. However, most insurance companies allow the policy to be reinstated if all arrears are paid within 12 months of the lapse - in effect within 13 months of the due date of the first unpaid premium.
3. To ensure that the tax advantages of life assurance are confined to regular premium policies, premiums must, by law, be payable at least annually. But our current practice is to allow a policyholder who reinstates his policy to retain these advantages, including, most importantly, entitlement to premium relief, provided all arrears are paid within this 13 month period of grace.

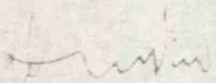
c.c Mr Cassell
Mr Lankester
Mr Hall
Mr Saunders
Mr Cropper
Mr Lord

Mr Isaac
Mr O'Leary
Mr Corlett
Mr Munro
Mr Newstead
Mr Williams
Mr Doherty
Mr Hawes
Mr J P O Lewis
Mr ...
Miss ...
PD ...
M. ...

4. A written approach has been made by a large, traditional, friendly society, which has issued over 5,000 policies to miners, asking whether we are prepared to extend this 13 month period by concession. By arrangement, the premiums for these policies are deducted from wages by the NCB and paid over en bloc to the friendly society. Miners whose policies have lapsed for over 12 months might then be able to reinstate their policies and retain their entitlement to premium relief. Some less formal enquiries on the same point have been made by telephone.

5. We have consistently declined similar requests - normally made by or on behalf of individual policyholders. Such a concession would necessarily be granted at the expense of taxpayers as a whole. In addition, to take the present case as an example, we suggest it would be almost impossible to defend a concession for the miners while refusing it to someone unable to keep up premiums through, for example, ill-health or unemployment. We propose, therefore, to decline the society's request and any similar applications. As a result any policy they agree to reinstate outside the period of grace will be regarded as a new policy so premium relief will not be available.

6. We are not sure whether people outside the insurance industry are aware of this problem - certainly we have not so far received representations on the point from individual miners or their representatives. But the problem is likely to become more widely known when companies have to tell miners that they must pay higher premiums to keep their policies going, and some elements of the Opposition may seek to make political capital out of it.


C. S. McNICOL



TF
seen by
TF

MR MUNRO - IR

FROM H E GOODMAN
DATE 19 DECEMBER 1984

cc: Chancellor
Chief Secretary
Minister of State
Economic Secretary
Sir P Middleton
Mr Cassell
Mr Battishall
Mr Burgner
Mr Monger
Mr Lankester
Mr Allen
Mr Robson
Mr Hall
Mr Culpin
Mr Saunders
Mr S Webb
Mr Cropper
Mr Lord
PS-IR
Mr Bridgeman - RFS
Mr Turnbull - No. 10
Mr Reidy - Dept of
Energy

LIFE ASSURANCE PREMIUM RELIEF: REQUEST FOR CONCESSION

x x x The Financial Secretary has seen your minute of 18 December recommending against giving striking miners special tax treatment on their delayed life assurance premiums.

The Financial Secretary is content with this advice. Unless I hear from copy recipients by 5 p.m. tomorrow ^{Thursday} I will assume that they are also agreeable. I will let you know if there are any problems.

H E GOODMAN