

How the Taxman Could Push Up The Cost Of Your Life Cover

The I minus E (that's income minus expenses) taxation regime currently allows providers to offset the costs of their life insurance business, from the profits made on their investments.

For new policies and business written from 1 January 2013, this will no longer be allowed. Whilst closing this 'loophole' will raise more revenue for HM Treasury, it's set to push up life insurance costs for insurers, which inevitably will get passed on to consumers through higher premiums.

The increases to premiums will affect both life insurance and critical illness cover (as most critical illness is combined with life cover). The effect of I minus E is likely to wipe out any advantageous changes in premiums resulting from the Gender Directive.

We expect that the removal of tax relief for some providers will result in premiums increasing by as much as 10%.

Income Protection is not affected by the I minus E taxation regime changes.

There is a limited amount of time before these changes are made so if you have been putting off a decision about taking out valuable protection or if you think you might need protection now or in the near future talk to us now even if you just want to see how much protection might cost you - delay could be expensive