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SCHEDULES

SCHEDULE 1

LIFE POLICIES : QUALIFICATION FOR RELIEF ON PREMIUMS

PART I

QUALIFYING CONDITIONS

General rules applicable to whole life and term assurances

- 1 (1) Subject to the following provisions of this Part of this Schedule, if a policy secures a capital sum which is payable only on death, or one payable either on death or on earlier disability, it is a qualifying policy if—
- (a) it satisfies the conditions appropriate to it under sub-paragraphs (2) to (4) below, and
 - (b) except to the extent permitted by sub-paragraph (5) below it does not secure any other benefits.
- (2) If the capital sum referred to in sub-paragraph (1) above is payable whenever the event in question happens, or if it happens at any time during the life of a specified person—
- (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—
 - (i) until the happening of the event, or, as the case may require, until the happening of the event or the earlier death of the specified person, or
 - (ii) until the time referred to in sub-paragraph (i) above or the earlier expiry of a specified period ending not earlier than ten years after the making of the insurance, and
 - (b) the total premiums payable in any period of twelve months must not exceed—
 - (i) twice the amount of the total premiums payable in any other such period, or
 - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for a period of ten years from the making of the insurance, or, in a case falling within paragraph (a) (ii) above, until the end of the period therein referred to.
- (3) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person—
- (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—

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- (i) until the happening of the event or the earlier expiry of the said term, or, as the case may require, until the happening of the event or, if earlier, the expiry of the term or the death of the specified person, or
- (ii) as in sub-paragraph (i) above, but with the substitution for references to the term of references to a specified shorter period, being one ending not earlier than ten years after the making of the insurance or, if sooner, the expiry of three-quarters of the said term, and
- (b) the total premiums payable in any period of twelve months must not exceed—
 - (i) twice the amount of the total premiums payable in any other such period, or
 - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for the term referred to in paragraph (a)(i) above, or, as the case may require, for the shorter period referred to in paragraph (a)(ii) above.
- (4) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending not more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person, the policy must provide that any payment made by reason of its surrender during the period is not to exceed the total premiums previously paid thereunder.
- (5) Notwithstanding sub-paragraph (1)(6) above, if a policy secures a capital sum payable only on death, it may also secure benefits (including benefits of a capital nature) to be provided in the event of a person's disability; and no policy is to be regarded for the purposes of that provision as securing other benefits by reason only of the fact that it confers a right to participate in profits, that it carries a guaranteed surrender value, that it gives an option to receive payments by way of annuity, or that it makes provision for the waiver of premiums by reason of a person's disability, or for the effecting of a further insurance or insurances without the production of evidence of insurability.
- (6) In applying sub-paragraph (2) or (3) above to any policy—
 - (a) no account shall be taken of any provision for the waiver of premiums by reason of a person's disability, and
 - (b) if the term of the policy runs from a date earlier, but not more than three months earlier, than the making of the insurance, the insurance shall be treated as having been made on that date, and any premium paid in respect of the period before the making of the insurance, or in respect of that period and a subsequent period, as having been payable on that date.
- (7) References in this paragraph to a capital sum payable on any event include references to any capital sum, or series of capital sums, payable by reason of that event; and a policy secures a capital sum payable either on death or on disability notwithstanding that the amount payable may vary with the event

General rules applicable to endowment assurances

- 2 (1) Subject to the following provisions of this Part of this Schedule, a policy which secures a capital sum payable either on survival for a specified term or on earlier death, or earlier death or disability, including a policy securing the sum on death

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only if occurring after the attainment of a specified age not exceeding sixteen, is a qualifying policy if it satisfies the following conditions—

- (a) the term must be one ending not earlier than ten years after the making of the insurance,
- (b) premiums must be payable under the policy at yearly or shorter intervals, and—
 - (i) until the happening of the event in question, or
 - (ii) until the happening of that event, or the earlier expiry of a specified period shorter than the term but also ending not earlier than ten years after the making of the insurance, or
 - (iii) if the policy is to lapse on the death of a specified person, until one of those times or the policy's earlier lapse,
- (c) the total premiums payable under the policy in any period of twelve months must not exceed—
 - (i) twice the amount of the total premiums payable in any other such period, or
 - (ii) one-eighth of the total premiums which would be payable if the policy were to run for the specified term,
- (d) the policy—
 - (i) must guarantee that the capital sum payable on death, or on death occurring after the attainment of a specified age not exceeding sixteen, will, whenever that event may happen, be equal to three-quarters at least of the total premiums which would be payable if the policy were to run for that term, disregarding any amounts included in those premiums by reason of their being payable otherwise than annually, and
 - (ii) if it is a policy which does not secure a capital sum in the event of death before the attainment of a specified age not exceeding sixteen, must not provide for the payment in that event of an amount exceeding the total premiums previously paid thereunder, and
- (e) the policy must not secure the provision (except by surrender) at any time before the happening of the event in question of any benefit of a capital nature other than a payment falling within paragraph (d)(ii) above, or benefits attributable to a right to participate in profits or arising by reason of a person's disability.

(2) For the purposes of sub-paragraph (1)(d)(i) above, 10 per cent. of the premiums payable under any policy issued in the course of an industrial assurance business as defined in section 1(2) of the Industrial Assurance Act 1923 shall be treated as attributable to the fact that they are not paid annually.

(3) Sub-paragraphs (6) and (7) of paragraph 1 above shall, with any necessary modifications, have effect for the purposes of this paragraph as they have effect for the purposes of that paragraph.

Special types of policy

(i) Friendly Society policies

- 3 A policy issued by any friendly society, or branch of a friendly society, in the course of its tax exempt life or endowment business, as defined in section 337(3)

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of this Act, is a qualifying policy notwithstanding that it does not comply with the conditions specified in paragraph 1 or 2 above.

(ii) Industrial Assurance policies

4 (1) A policy issued in the course of an industrial assurance business, as defined in section 1(2) of the Industrial Assurance Act 1923, and not constituting a qualifying policy by virtue of paragraph 1 or 2 above, is nevertheless a qualifying policy if—

- (a) the sums guaranteed by the policy, together with those guaranteed at the time the assurance is made by all other policies issued in the course of such a business to the same person and not constituting qualifying policies apart from this paragraph, do not exceed £1,000,
- (b) it satisfies the conditions with respect to premiums specified in paragraph 1(2) above,
- (c) except by reason of death or surrender, no capital sum other than one falling within paragraph (d) below can become payable under the policy earlier than ten years after the making of the assurance, and
- (d) where the policy provides for the making of a series of payments during its term—
 - (i) the first such payment is due not earlier than five years after the making of the assurance, and the others, except the final payment, at intervals of not less than five years, and
 - (ii) the amount of any payment, other than the final payment, does not exceed four-fifths of the premiums paid in the interval before its payment, and
 - (iii) if the first such payment is due earlier than ten years after the making of the assurance, or any other such payment except the last is due earlier than ten years after the preceding one, the sums guaranteed by the policy, together with the other sums referred to in paragraph (a) above so far as guaranteed by policies the payments under which also fall within this sub-paragraph, do not exceed £500.

(2) For the purposes of this paragraph, the sums guaranteed by a policy do not include any bonuses, or, in the case of a policy providing for a series of payments during its term, any of those payments except the first, or any sum payable on death during the term by reference to one or more of those payments except so far as that sum is referable to the first such payment.

(iii) Family income policies and mortgage protection policies

5 (1) The following provisions apply to any policy which is not a qualifying policy apart from those provisions, and the benefits secured by which consist of or include the payment on or after a person's death of—

- (a) one capital sum which does not vary according to the date of death, plus a series of capital sums payable if the death occurs during a specified period, or
- (b) a capital sum, the amount of which is less if the death occurs in a later part of a specified period than if it occurs in an earlier part of that period.

(2) A policy falling within sub-paragraph (1)(a) above is a qualifying policy if—

- (a) it would be one if it did not secure the series of capital sums there referred to, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
- (b) it would also be one if it secured only that series of sums, and the premiums thereunder were the balance of those actually so payable.

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- (3) A policy falling within sub-paragraph (1)(b) above is a qualifying policy if—
- (a) it would be one if the amount of the capital sum there referred to were equal throughout the period to its smallest amount, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
 - (b) it would also be one if it secured only that capital sum so far as it from time to time exceeds its smallest amount, and the premiums payable thereunder were the balance of those actually so payable.

Other special provisions

(i) Exceptional mortality risk

- 6 For the purpose of determining whether any policy is a qualifying policy, there shall be disregarded—
- (a) so much of any premium thereunder as is charged on the grounds that an exceptional risk of death is involved, and
 - (b) any provision under which, on those grounds, any sum may become chargeable as a debt against the capital sum guaranteed by the policy on death.

(ii) Connected policies

- 7 Where the terms of any policy provide that it is to continue in force only so long as another policy does so, neither policy is a qualifying policy unless, if they had constituted together a single policy issued in respect of an insurance made at the time of the insurance in respect of which the first-mentioned policy was issued, that single policy would have been a qualifying policy.

(iii) Premiums paid out of sums due under previous policies

- 8 (1) Where, in the case of a policy under which a single premium only is payable, liability for the payment of that premium is discharged in accordance with sub-paragraph (2) below, the policy is a qualifying policy notwithstanding anything in paragraph 1(2) or 1(3) above, or in paragraph (b) or (c) of paragraph 2(1); and where, in the case of any other policy, liability for the payment of the first premium thereunder, or of any part of that premium, is so discharged, the premium or part shall be disregarded for the purposes of paragraph 1(2)(b) and 1(3)(b) above, and of paragraph (c) of paragraph 2(1).
- (2) Liability for the payment of a premium is discharged in accordance with this sub-paragraph if it is discharged by the retention by the company with whom the insurance is made of the whole or a part of any sum which has become payable on the maturity of, or on the surrender more than ten years after its issue of the rights conferred by, a policy—
- (a) previously issued by the company to the person making the insurance, or, if it is made by trustees, to them or any predecessors in office, or
 - (b) issued by the company when the person making the insurance was an infant, and securing a capital sum payable either on a specified date falling not more than one month after his attaining twenty-five, or on the anniversary of the policy immediately following his attainment of that age,
- being, unless it is a policy falling within paragraph (b) above and the premium in question is a first premium only, a policy which was itself a qualifying policy, or which would have been a qualifying policy had it been issued in respect of an insurance made after 19th March 1968.

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(iv) Substitutions and variations

- 9 (1) Where one policy (hereafter referred to as "the new policy ") is issued in substitution for, or on the maturity of and in consequence of an option conferred by, another policy (hereafter referred to as " the old policy "), the question whether the new policy is a qualifying policy shall, to the extent provided by the rules in sub-paragraph (2) below, be determined by reference to both policies.
- (2) The said rules (for the purposes of which, the question whether the old policy was a qualifying policy shall be determined in accordance with this Part of this Schedule, whatever the date of the insurance in respect of which it was issued), are as follows—
- (a) if the new policy would apart from this paragraph be a qualifying policy, but the old policy was not, the new policy is not a qualifying policy unless the person making the insurance in respect of which it is issued was an infant when the old policy was issued, and the old policy was one securing a capital sum payable either on a specified date falling not later than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age ;
 - (b) if the new policy would apart from this paragraph be a qualifying policy, and the old policy was also a qualifying policy, the new policy is a qualifying policy unless—
 - (i) it takes effect before the expiry of ten years from the making of the insurance in respect of which the old policy was issued, and
 - (ii) the highest total of premiums payable thereunder for any period of twelve months expiring before that time is less than one half of the highest total paid for any period of twelve months under the old policy, or under any related policy issued less than ten years before the issue of the new policy ("related policy" meaning any policy in relation to which the old policy was a new policy within the meaning of this paragraph, any policy in relation to which that policy was such a policy, and so on);
 - (c) if the new policy would not apart from this paragraph be a qualifying policy, and would fail to be so by reason only of paragraph 1(2) or 1(3) above or of paragraph (a), (b) or (c) of paragraph 2(1), it is nevertheless a qualifying policy if the old policy was a qualifying policy and—
 - (i) the old policy was issued in respect of an insurance made more than ten years before the taking effect of the new policy, and the premiums payable for any period of twelve months under the new policy do not exceed the smallest total paid for any such period under the old policy, or
 - (ii) the old policy was issued outside the United Kingdom, and the circumstances are as specified in sub-paragraph (3) below.
- (3) The said circumstances are—
- (a) that the person in respect of whom the new insurance is made became resident in the United Kingdom during the twelve months ending with the date of its issue,
 - (b) that the issuing company certify that the new policy is in substitution for the old, and that the old was issued either by a branch or agency of theirs outside the United Kingdom or by a company outside the United Kingdom with whom they have arrangements for the issue of policies in substitution for ones held by persons coming to the United Kingdom, and

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- (c) that the new policy confers on the holder benefits which are substantially equivalent to those which he would have enjoyed if the old policy had continued in force.
- 10
- (1) Subject to the provisions of this paragraph, where the terms of a policy are varied, the question whether the policy after the variation is a qualifying policy shall be determined in accordance with the rules in paragraph 9 above, with references in those rules to the new policy and the old policy construed for that purpose as references respectively to the policy after the variation and the policy before the variation, and with any other necessary modifications.
 - (2) In applying any of those rules by virtue of this paragraph, the question whether a policy after a variation would be a qualifying policy apart from the rule shall be determined as if any reference in paragraphs 1 to 7 of this Schedule to the making of an insurance, or to a policy's term, were a reference to the taking effect of the variation or, as the case may be, to the term of the policy as from the variation.
 - (3) This paragraph does not apply by reason of—
 - (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
 - (b) any variation effected before the end of the year 1968 for the sole purpose of converting into a qualifying policy any policy issued (but not one treated by virtue of section 19(5) of this Act as issued) in respect of an insurance made after 19th March 1968.