

Edition

04

September 2010

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Welcome to Analysis

Analysis, our regular newsletter, keeps you up to date with AXA PPP healthcare's products, developments and important changes.

For your convenience, Analysis is easily available to read and download from our Intermediary website. Just go to www.axapphealthcare.co.uk/intermediary.

This issue informs you about how we will implement the changes to VAT and IPT.

Impact of Government Changes to VAT & IPT

The following changes were announced on 22nd June 2010 with effect from 4th January 2011.

- VAT will increase from 17.5% to 20%
- IPT will increase from 5% to 6%
- IPT on travel insurance will increase from 17.5% to 20%

These changes will be implemented by AXA PPP healthcare as follows:

Large Corporate

Full Insurance

- 5% IPT will be charged for contracts commencing up to and including 3rd January 2011. This will be applied to the initial 12 month premium even if that premium is paid in instalments which may fall after the IPT change.
- 6% IPT will be charged for contracts commencing on or after 4th January 2011.
- Any mid year adjustments, contract extensions or population adjustments resulting in additional premium being written on or after 4th January 2011 will be subject to IPT @ 6%.

- Any mid year or population adjustments resulting in premium refunds will be calculated at the rate paid on the original premium.
- It is important that membership is recorded accurately and promptly so that opening population can be agreed on all Oct/Nov/Dec 2010 and especially Jan 2011 renewals.

Profit Share

- As per Full Insurance, plus:
- Profit Share calculations based on net income will be calculated using the IPT rates paid on the premium. Where mid term or year end adjustments are applied this will result in multiple IPT rates being used.



PPP HEALTHCARE

redefining / standards

Performance Share

- As per Full Insurance, plus:
- Performance Shares calculations are based on claims fund vs. claims paid. Where mid term or year end adjustments are applied this will result in multiple IPT rates being used.

Cost Plus

- 5% IPT will be charged for contracts commencing up to and including 3rd January 2011. This will be applied to the initial 12 month premium even if that premium is paid in instalments which may fall after the IPT change.
- 6% IPT will be charged for contracts commencing on or after 4th January 2011.
- Any mid year adjustments or contract extensions resulting in additional premium being written on or after 4th January 2011 will be subject to IPT @ 6%.
- Year end recoveries due on or after 4th January 2011 will have 6% IPT applied to the recovery amount. Clients, whose claims vs. budgets indicate a substantial year end recovery, could on request, pay an interim recovery during December 2010 to minimise the additional IPT cost on the final year end recovery.

- Year end rebates will be calculated at the rate paid on the original premium.

Trust Administration

- VAT is charged on a 'continuous supply' basis, and will therefore be charged at X days at 17.5% and Y days at 20% depending on the contract period.
- Invoices issued on or after 4th January 2011 will show VAT at 20%, and IPT on risk charge invoices at 6%.
- The final statement will show the recalculated VAT amounts to enable clients to reclaim the correct VAT amount where applicable.

Other implications

- Any renewal terms agreed early for contracts starting on or after 4th January 2011 will need to be updated and re-issued including 6% IPT.

SME/Individual

We will advise of the impact on SME/Individual business over the next few weeks.

If you have a query relating to an existing AXA PPP contract please contact your Client Account Manager.



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