

IT 79 - General insurance companies: unexpired risks reserve

 This cover sheet is provided for information only. It does not form part of *IT 79 - General insurance companies: unexpired risks reserve*

This document has been Withdrawn.

There is a [Withdrawal notice](#) for this document.

TAXATION RULING NO. IT 79

GENERAL INSURANCE COMPANIES : UNEXPIRED RISKS RESERVE

F.O.I. EMBARGO: May be released

REF

H.O. REF: 74/3380 F13

DATE OF EFFECT:

B.O. REF:

DATE ORIG. MEMO ISSUED: 23.05.74

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1070852

GENERAL INSURANCE COMPANIES

51(1)

UNEXPIRED RISKS RESERVE

TWENTY-FOURTHS METHOD

40% METHOD

PREAMBLE

Consideration has been given to the method of calculation of the unexpired risks reserve allowed in the assessments of general insurance companies as a result of these companies adopting the 'twenty-fourths' method.

RULING

2. Where a company does not ask to change to the twenty-fourths basis, the existing method of calculation should be continued; the deferment would be 40% of premiums (total premiums less reinsurances), or whatever other percentage is established as more appropriate for the taxpayer.

3. Where a company seeks to change to the twenty-fourths basis, that basis may be approved, subject, generally, to its being applied to 80% of premiums (total less reinsurance).

4. In any case where it is specifically claimed that the formula should be applied to more than 80% of premiums and the claim is adequately supported, the claim may be approved.

5. In those unusual cases where there are virtually no outgoings related directly to the receipt of premiums, the formula may be applied to 100% of premiums less reinsurances.

6. In calculating the proportion of premiums to be excluded as applying to commission and reinsurances, the commission element should be regarded as including administration expenses relating directly to the employment of agents and payment of the commission. These expenses are in the same category as the commission itself and should be taken into account if representations are made to vary the amount of premiums to be excluded from the calculations to a proportion of less than 20%.

COMMISSIONER OF TAXATION