

# Marine Insurance Exemption

## *Insurance Premium Tax Act*

### What is marine insurance?

### How is tax on marine insurance premiums reported?

This bulletin clarifies the meaning of marine insurance and provides information about which premiums are eligible for the marine insurance exemption under the *Insurance Premium Tax Act* (Act). This bulletin applies to taxable insurers and unlicensed insurance.

## Marine Insurance

Marine insurance is insurance against the risk of:

- bodily injury to, or the death of, a person or
- the loss of, or damage to, property

during a voyage or **marine adventure**, at sea or on an inland waterway, or during incidental delay or transit, otherwise than by water, which is incidental to such a voyage or marine adventure.

A **marine adventure** occurs when:

- insurable property, meaning any ship, goods or other **movables**<sup>1</sup> are exposed to **maritime perils**<sup>2</sup>;
- the earning or acquisition of any freight, passage money, commission, profit or other pecuniary benefit, or the security for any advances, loan or disbursements, is endangered by the exposure of insurable property to maritime perils; or

<sup>1</sup> **Movables** are any movable tangible property (other than the ship), including money, valuable securities and other documents.

<sup>2</sup> **Maritime perils** are the perils consequent on, or incidental to, the navigation of the sea, including perils of the seas, fire, war perils, pirates, rovers, thieves, captures, seizures, restraints and detentions of princes and peoples, jettisons, barratry and any other perils, either of the same kind or which may be designated by the policy.

- the owner of, or other person interested in or responsible for, insurable property by reason of maritime perils may incur any liability to a third party.

The following list provides examples of what **is not** marine insurance (this list is not exhaustive).

- Contracts of insurance in respect of aquaculture activities (the business of cultivating salt or freshwater fish or shellfish such as salmon or oyster farms) are not contracts of marine insurance because the main purpose of an aquaculture operation is farming and not navigation of the sea.
- Contracts of insurance in respect of wharves, docks, terminals, berths, loading arms etc. are not contracts of marine insurance. Although these items are exposed to maritime perils, they are not movables and the perils are not consequent on, or incidental to, the navigation of the sea.
- Contracts of insurance covering both sea risk and risk on land are not as a whole considered marine insurance. While the insurance which covers the sea risk portion may be marine insurance, the insurance which covers the risk on land is not. As such, the premium which relates to the risk on land is subject to the IPT as it does not relate to the navigation of the sea. Risk on land only classifies as marine insurance when it is incidental to the marine adventure.

## Application of the Exemption

For policy premiums or any premiums received or receivable to be eligible for the marine insurance exemption, policies must meet the following requirements:

- the main purpose of the operation or activity is navigation of the sea;
- the ship, a person, goods or other movables are exposed to maritime perils; and
- the perils are a consequence of, or are incidental to, the navigation of the sea.

Policy premiums or any premiums received or receivable under contracts of insurance and reciprocal insurance for **pleasure craft**<sup>3</sup> do not qualify for the marine insurance exemption as they are considered to be property insurance premiums.

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<sup>3</sup> **Pleasure craft** is a water craft used for relaxation or sport whether or not it is chartered to another person for that use.

Contracts of insurance for the following activities or operations are pleasure craft insurance (this list is not exhaustive):

- recreational yachting
- recreational sailing
- sport fishing, excluding commercial sport fishing

Although contracts of insurance for the above activities or operations meet all the requirements of marine insurance as stated in the previous section, they are not eligible for the marine insurance exemption as they are for relaxation or sport, are not for commercial use and are specifically excluded by the Act.

For information on how the Act applies to property insurance, please see [Bulletin IPT 007](#), *Property Insurance*.

## Reporting Marine Insurance Premiums

### Taxable Insurers

Policy premiums or any premiums received or receivable under contracts of marine insurance must be reported under the section titled “Calculation of Tax on Property and Automobile Premiums” on the *Insurance Premium Tax Return of Taxable Premiums* form ([FIN 527](#)).

In this section, taxable insurers can deduct policy premiums or any premiums received or receivable under contracts of marine insurance (excluding pleasure craft insurance).

For more information on how the Act applies to taxable insurers, please see [Bulletin IPT 001](#), *Insurance Premium Tax for Taxable Insurers*.

### Unlicensed Insurance

Taxpayers who purchase insurance from an unlicensed insurer must file a *Return of Unlicensed Insurance* form ([FIN 521](#)) for each contract.

Policy premiums or any premiums paid or payable to an unlicensed insurer under contracts of marine insurance (excluding pleasure craft insurance) are exempt from the IPT.

For more information on how the act applies to unlicensed insurance, please see [Bulletin IPT 002](#), *Insurance Purchased from an Unlicensed Insurer*.

## Need more info?

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Insurance Premium Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/itb](http://www.sbr.gov.bc.ca/itb)

References: *Insurance Premium Tax Act*, Sections 1(1) and 1(2); *Insurance (Marine) Act*, Sections 1, 3(1) and 4; and *Insurance Act Insurance Classes Regulation*, Section 2