

## Levy forecasts – PRA classes

## General Insurance Provision

## 2022/23 update

2022/23 forecast fund balances	May 2022 forecast (£m)	November 2022 forecast (£m)	Variance (£m)
Opening balance	41.5	41.5	0.0
Compensation	(236.8)	(231.7)	5.1
Recoveries	1.8	1.8	0.0
Management expenses	(7.2)	(7.2)	0.0
Annual levy receipts – excluding provider contributions	210.0	210.0	0.0
<b>Total closing surplus/(deficit)</b>	<b>9.3</b>	<b>14.4</b>	<b>5.1</b>
<b>Total levies</b> The 'Total levies' is not the sum of each column. This row shows the May forecast in comparison to the latest levy forecast.  'Total levies' includes provider contributions to other classes.	<b>211.7</b>	<b>211.7</b>	<b>0.0</b>

Forecasts within the General Insurance Provision class are largely as expected, although compensation payments are approximately £5m less than anticipated.

This has resulted in an expected closing surplus of £14.4m which will be carried forward and used to offset the levy in 2023/24.

Recoveries anticipated from failed firms totalled £1.8m and have been used to offset the levy and compensation paid out in this class in 2022/23.

## 2023/24 forecast

Class	Latest 2022/23 levy position (£m)	2023/24 forecast (£m)	Variance (£m)
General Insurance Provision	211.7	233.7	22.0

At this early stage, we are currently forecasting a higher levy for 2023/24 (£233.7m) than for 2022/23 (£211.7m). Compensation costs are expected to remain similar.

The variance in levy (£22m) is largely due to a higher opening balance in the previous financial year (2022/23), which was a result of surpluses being carried over from 2021/22.

It is also important to note that there have been challenges in forecasting large loss claims (where compensation is over £500k per claim) within this class. This relates to current uncertainties about when claims will be completed and the complex nature of certain claims. In the case of East West Insurance Company Ltd for example (which relates to building insurance claims), there have been delays in building assessments and remedial work due to increased demand for experts, suppliers and building materials in the construction sector.

For 2023/24, we are currently anticipating that the General Insurance Provision class will pay £1.7m in **provider contributions** to the General Insurance Distribution class. The remainder (£232m) relates to costs for its own class.