

## Levy breakdown – PRA classes

## General Insurance Provision

## 2022/23 update

2022/23 forecast fund balances	November's <i>Outlook</i> forecast (£m)	Latest levy update (£m)	Variance (£m)
Opening balance	(5.4)	41.5	46.9
Compensation	(231.1)	(236.8)	(5.7)
Recoveries	1.8	1.8	0.0
Management Expenses	(6.0)	(7.2)	(1.2)
Annual levy receipts	242.0	210.0	(32.0)
<b>Total closing surplus/(deficit)</b> Please note that the 'Annual levy receipts' excludes provider contributions	<b>1.4</b>	<b>9.3</b>	<b>7.9</b>
<b>Total levies</b> The 'Total levies' includes provider contributions to other classes. Please note, the 'Total levies' is not the sum of each column. This row shows the November forecast in comparison to the latest levy update.	<b>263.8</b>	<b>211.7</b>	<b>(52.1)</b>

The levy for this class has decreased from £264m since November's indicative levy forecast to £212m. The main reasons include:

- The compensation costs for 2021/22 were £55m lower than forecast in November's *Outlook*. One of the main reasons for this was that the compensation costs relating to East West Insurance Company Ltd were £34m lower than anticipated. The underspend was for two reasons:
  - There was limited claims data available when forecasting for the 2021/22 period.
  - The market demand for experts, suppliers, and materials, particularly considering the Government's support scheme to address the cladding crisis in the UK, has caused delays for this portfolio; and
- The lower compensation costs in 2021/22 resulted in a £42m surplus in the opening balance in this class and has been offset against the 2022/23 levy.
- A £19m retail pool contribution will no longer be required by this class. This is because we no longer expect the Life Distribution and Investment Intermediation (LDII) class to breach its annual levy limit and require additional funding from other classes.

Despite the overall reduction in the levy, the expected compensation costs for this class in 2022/23 have increased slightly from £231m in November's indicative levy to £237m. This increase mainly relates to approximately £39m in compensation costs expected for MCE Insurance Company Ltd. This firm was declared in default on 19 November 2021 and was not included in November's indicative levy forecast.

The increase in compensation costs related to MCE Insurance Company Ltd was offset, by a £45m reduction in expected compensation costs in relation to East West Insurance Company Ltd.