

Levy breakdown – FCA classes

General Insurance Distribution

2021/22 update

2021/22 forecast fund balances	May's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
Opening balance	(3.8)	(3.1)	0.7
Compensation	(4.5)	(7.5)	(3.0)
Recoveries	0.0	0.0	0.0
Management Expenses	(7.5)	(7.5)	0.0
Annual levy receipts	17.0	17.0	0.0
Total closing surplus/(deficit) Please note that the 'Annual levy receipts' includes provider contributions.	1.2	(1.2)	(2.4)

Total levies The 'Total levies' excludes provider contributions to other classes. Please note, the 'Total levies' is not the sum of each column. This row shows the May forecast in comparison to the latest levy update.	73.8	12.9	(60.9)
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The small variance in compensation costs from May (£3m) is due to there being more payouts than originally forecast. This is partly due to a £1.6m payout to an Official Receiver for claims relating to Payment Protection Insurance (PPI) policies. This resulted in the General Insurance Distribution class having a deficit of approximately £1m at year end which will be carried over to next year.

The significant difference between the total levies figure for the May forecast and the latest forecast is due to the retail pool not being required in 2021/22. Originally, this class was expected to contribute almost £61m to the retail pool as the Life Distribution and Investment Intermediation (LDII) and Investment Provision classes were expected to breach their annual levy limits.

2022/23 forecast

Class	2021/22 latest levy update (£m)	2022/23 forecast (£m)	Variance (£m)
General Insurance Distribution	12.9	67.7	54.8

The levy for this class is expected to increase from £12.9m in 2021/22 to £67.7m in the 2022/23 financial year. This is mainly driven by the £59m retail pool contribution that will be required from this class as the LDII class is expected to breach its annual levy limit and will require funds from the other classes. This class is forecast to be the biggest contributor to the retail pool levy in 2022/23.

We are not expecting any new failures in 2022/23. However, there is circa £1.5m in compensation payouts expected which relates to firm failures in previous financial years.