

## Levy breakdown – PRA classes

## General Insurance Provision

## 2021/22 update

2021/22 forecast fund balances	May's Outlook forecast (£m)	Latest levy update (£m)	Variance (£m)
Opening balance	37.4	37.9	0.5
Compensation	(206.0)	(215.5)	(9.5)
Recoveries	9.3	12.2	2.9
Management Expenses	(6.0)	(6.0)	0.0
Annual levy receipts	166.0	166.0	0.0
<b>Total closing surplus/(deficit)</b> Please note that the 'Annual levy receipts' excludes provider contributions.	<b>0.7</b>	<b>(5.4)</b>	<b>(6.1)</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 May forecast in comparison to the latest levy update.	<b>189.8</b>	<b>170.1</b>	<b>(19.7)</b>

Following on from our May forecast, we are now anticipating a deficit of £5.4m for the General Insurance Provision class. The reasons for this include:

- The failures of the East West Insurance Company Limited and Gefion Insurance A/S. These failures also account for the higher compensation costs than previously forecast (in May's 2021 Outlook); and
- A change in approach to mesothelioma (asbestos) claims resulting in top-ups for customers of Chester Street Insurance Holdings Limited as well as for builder's accident insurance. This has also meant that compensation for this class increased by approximately £15m.

The total levies paid by this class in 2021/22 was slightly over £170m; including £166m for compensation costs within its own class and £4m as provider contributions for the General Insurance Distribution class.

The main reason for the 'total levies' variance (circa £20m) is due to the May 2021 forecast including a [retail pool](#) contribution, which is no longer required.

## 2022/23 forecast

Class	2021/22 latest levy update (£m)	2022/23 forecast (£m)	Variance (£m)
General Insurance Provision	170.1	263.8	93.7

The levy for 2022/23 is forecast to be almost £264m which is approximately £94m higher than in the previous financial year.

The main reasons for the increase include:

- Circa £16m in compensation costs relating to the failures of East West Insurance Company Limited (declared in default in October 2020) and Gefion Insurance A/S (declared in default in June 2021);
- An approximate £50m movement in opening balances (i.e. £38m surplus in opening balance for 2021/22 and a £5m deficit in opening balance for 2022/23). The 2021/22 deficit will need to be offset against the 2022/23 levy before meeting any further compensation costs for that year; and
- A £19m contribution from this class to the retail pool. This is because the Life Distribution and Investment Intermediation (LDII) class is expected to breach its annual levy limit and will require funds from the other classes.