



## ISSUED ON BEHALF OF THE POLICYHOLDERS PROTECTION BOARD

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### Final report and accounts for Policyholders Protection Board (PPB)

The Policyholders Protection Board (PPB) has today published its final Report and Accounts under the transitional arrangements as set out in Article 20 of The Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001. The report covers the period 1 April 2001 to 30 November 2001.

#### The main features of this report are:

- During the eight month period the PPB made payments of £58.7m to protected policyholders, mainly in relation to general insurance business. This compares to £60.6m paid in the full financial year to March 2001.
- £15.4m was paid to policyholders of general insurer Independent Insurance, which went into provisional liquidation on 17 June 2001.
- £29.3m was paid to policyholders of motor insurer Drake Insurance, which went into provisional liquidation in May 2000, bringing total payments made to Drake policyholders by the PPB to £62.6m.
- £648,000 was paid by the PPB in respect of claims against Chester Street Insurance Holdings, following the appointment of provisional liquidators in January 2001. Chester Street wrote employers' liability business. Protected policyholders include those claiming compensation for the contraction of asbestos related diseases.

Under the Policyholders Protection Act 1975, the PPB acted as an industry-funded safety net when UK insurers became insolvent. The costs of providing protection and the Board's administration costs were provided for out of levies raised against insurance companies operating in the UK.

From midnight on 30 November 2001 the Financial Services Compensation Scheme (FSCS) took over responsibility for providing policyholder protection in the UK, under the terms of the Financial Services & Markets Act 2000. The Policyholder Protection Scheme activities ceased at that time.

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### **Levies made by the Policyholders Protection Board**

#### General business

Financial year 1991 - 1992:	£37.7m ( <i>0.25% of leviable income for 1990</i> )
Financial year 1992 - 1993:	£80.9m ( <i>0.5% of leviable income for 1991</i> )
Financial year 1993 - 1994:	£174.8m ( <i>1% of leviable income for 1992</i> )
Financial year 1994 - 1995:	£48.3m ( <i>0.25% of leviable income for 1993</i> )

#### Long-term business

A levy of £4.5m was raised for the financial year 1994 – 1995, representing 0.01% of leviable premium income for 1993, to enable the Board to pay claims for compensation against Oaklife Assurance Company Ltd.

The company was placed in liquidation on 13 September 1993. The Board managed to secure the issue of substitute policies to some of Oaklife's linked-life policyholders and provide compensation for the remaining protected policyholders

### **Transition to the Financial Services Compensation Scheme (FSCS)**

Under the Financial Services and Markets Act 2000, the Board's functions were transferred to the FSCS from midnight on 30 November 2001. FSCS has also taken over responsibility for the functions previously exercised by other financial compensation schemes, including the Deposit Protection Board, the Building Societies Investor Protection Board and the Investors Compensation Scheme.

All assets, rights and liabilities of the PPB, including funds of £64.2m, were transferred to the FSCS with effect from 1 December 2001.

The new single compensation scheme is governed by new rules made by the Financial Services Authority (FSA). The terms of the Policyholders Protection Act 1975 will continue to apply to claims against insurance companies that failed before 1 December 2001.

FSCS is independent from, but accountable to, the FSA and funded by levies on authorised financial services firms. After assessing the balance of funds available to it at 1 December 2001, and the estimates of likely claims and payments expected to August 2002, FSCS raised a levy on general insurance companies for approximately £150m (or 0.66% of relevant net premium income for the calendar year 2000). The levy will be used to pay compensation for general insurance claims, including those against Independent Insurance and Chester Street.

#### **Payments from 1 December 2001 – 26 February 2002 by the FSCS in relation to:**

- Independent Insurance Company Ltd  
**£10.3m**  
Total paid in compensation (including payments made by the PPB) is approximately £25.7m
- Chester Street Insurance Holdings Limited  
**£828,542**  
Total paid in compensation (including payments made by the PPB) is approximately £1.4m
- Drake Insurance plc  
**£4.2m**  
Total paid in compensation (including payments made by the PPB) is approximately £33.5m