

FSCS 2005/06 initial levy reduced for general insurers

FSCS has updated its initial 2005/06 levy requirements to take account of a substantial recovery now expected from the KWELM estate, of which it is a creditor. This reduces the overall levy to £127.7m; a reduction of some £33m on the initial levy announced in April. The reduction impacts on firms in the general insurance contribution group. The levy on firms within this contribution group has now been set at £45m.

Loretta Minghella, Chief Executive said:

“ We make recoveries wherever possible to reduce the burden on our levy payers. We were aware that recoveries were likely in this sector during 2005/06, although the likely amount and timing was unclear at the time of making our initial levy decision earlier in the year. However, we are pleased that we can now reduce the levy for general insurance firms following the confirmation of significant recoveries. Additional recoveries may be received later in the year. If so, we would expect these to be used to reduce our levy requirements in 2006/07.”

FSCS seeks recoveries wherever it is economic and practical to do so. In the insurance sector this has included agreeing closure schemes to allow the early release of dividends and bring estates to a close, whilst not closing the door to protected claims. FSCS is also a creditor in insurance estates in respect of compensation payments made by FSCS (and the previous Policyholders Protection Scheme) and receives dividends accordingly.

The total initial levy of £127.7m excludes any funding for potential splits claims, due to the significant uncertainties about the likely volume and nature of claims in this area, and also excludes any compensation costs relating to the recent default of Whiteley Insurance Consultants. It is currently too early to say what further funding will be needed in relation to splits and insurance broking claims, but FSCS will keep firms informed as events unfold.

FSCS levies will be included on a single invoice covering FSA, FOS and FSCS fees, which will be sent out by the FSA from June onwards, payable within 30 days. The FSA has recently announced the establishment of market arrangements for firms who wish to spread the costs of fees and levies.

FSCS initial levies by contribution groups (excluding splits) 2005/06

Updated 26 May 2005

<i>Contribution group</i>	2005/06 Initial levy¹ £m	2004/05 levy amounts £m	<i>Increase / (decrease) on 2004/05 £m</i>
Accepting deposits			
A1 Deposit takers	0.0	0.0	0.0
Insurance			
A3 General insurance	45.0	140.0	(95.0)
A4 Life insurance	0.0	0.0	0.0
Investments			
A7 Fund managers	0.2	0.1	0.1
A9 Managers of AUTs, ACDs and depositories	0.0	0.5	(0.5)
A10 Dealing as principal	0.0	0.3	(0.3)
A12 Brokers holding client money	12.3	7.2	5.1
A13 Brokers not holding client money	37.4	24.8	12.6
A14 Corporate advisers	0.1	0.1	0.0
Pensions review	31.0	64.6	(33.6)
A18 Mortgage brokers	0.4	0.0	0.4
A19 Insurance intermediaries	1.3	0.0	1.3
Totals	127.7	237.6	(109.9)

¹ Levies are set to recover anticipated compensation payments and management costs (less recoveries and interest receipts) and take into account fund balances in hand.