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**MEDIA INFORMATION**

**FSCS announces a £40 million levy refund for general insurance companies**

General insurance companies are getting some good news for Christmas. They are to benefit from a £40 million pound levy refund from the Financial Services Compensation Scheme (FSCS) in the New Year.

Loretta Minghella, FSCS Chief Executive, says: "This refund is good news for general insurance firms. They will benefit from a £40 million refund in January. It reflects the continuing recoveries we have secured from the estates of general insurance providers who have gone bust, as well as lower than expected claims volumes and compensation payments."

FSCS expects to pay the refund, which will benefit some 250 firms, in January 2008. The industry funds the Scheme through a levy and firms pay the levy into contribution groups according to their area of business.

Coming before the FSCS funding system changes in April, the refund will only apply to the general insurance contribution group (A3).

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## Notes to editors:

1. The industry funds FSCS through levies on firms authorised by the Financial Services Authority (FSA). Under the current system, firms are assigned to contribution groups depending on the business they are authorised to conduct. FSCS then levies the firms in a contribution group having regard to the costs of claims in that group. Any recoveries FSCS makes help to offset the compensation costs of the relevant contribution group.
2. The refund will be paid through the Financial Services Authority, which handles the levy payments for FSCS. A refund may be considered if FSCS believes that it has more funds to the credit of a contribution group than it believes will be required to meet compensation claims relating to that contribution group for the following 12 months. The refund of £40m will be made by reference to the tariff data of *Relevant net premium income* of those firms which would have made a contribution to a levy in 2007/08, had one been necessary.
3. FSCS did not levy general insurance firms in 2007/08 because it had enough money to handle the levels of claims it was projecting in March 2007. FSCS is now preparing for the 2008/09 levy and expects to publish it by April 2008. The refund takes account of current forecasts for next year, which may change as the work on the levy progresses. FSCS will confirm the 2008/09 levy for general insurance companies when it publishes the levy. Initial levy estimates for 2008/09 have been taken into account in making this repayment. In the absence of new developments, it is possible that no levy or only a small levy payment will be required of general insurance providers next year.
4. FSCS has made a repayment to firms within the A3 contribution group before. In March 2006, it refunded £42 million to firms in the contribution group, following a significant recovery from the KWELM estate.
5. The new FSCS funding regime starts on 1 April and follows a review by the FSA. As part of the move to the new funding arrangements, firms in all contribution groups will receive either a credit or debit note during the 2008/09 financial year. This will reflect the final balances of contribution groups at 31 March 2008. You can find more information on the new funding system at <http://www.fsa.gov.uk/pages/Library/Communication/PR/2007/115.shtml>. More information on the current FSCS funding arrangements is at <http://www.fscs.org.uk/industry/funding/>.