

Hastings Group Holdings PLC

19:30 16 Jul 2019

Hastings shares steer lower as it expects profit hit from new Ogden rate

Shares in Hastings Group Holdings PLC (LON:HSTG) steered lower after the motor insurer said it would take a £8.4mIn hit to profits from a change in the so-called Ogden rate.

The UK government announced on Monday that the Ogden rate - the discount rate used to calculate how much compensation motor accident victims should be given for serious injuries - will rise to -0.25% from -0.75%.

READ: UK government raises Ogden discount rate by less than expected
The change came after the government kicked off a review following pressure from motor insurers whose profits were dented by a cut in the Ogden rate from 2.5% in 2017.

However, the new rate is lower than the range of between 0% and 1% predicted by analysts, meaning insurers will have to pay more than expected.

The higher the Ogden rate, the less insurers have to pay out as a lump sum as it assumes better annual investment returns for those amounts.

The changes will be implemented on August 5.

In a Tuesday statement, Hastings said it expects to take a one-off pre-tax charge £8.4mIn in its 2019 financial year.

"Excluding this impact, the company expects to report an underlying calendar year loss ratio for the six months to 30 June 2019 at the top of its 75% to 79% target range," it said.

Hastings added that it had held reserves based on a rate in the 0-1% range but would make changes to reflect the new rate.

Shares in Hastings fell 5% to 194p in late morning trading.

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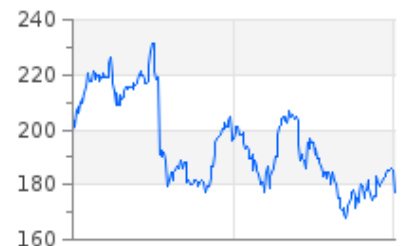
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Price: 177.4

Market Cap: £1.17 billion

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: HSTG

Listing: LSE

52 week High Low
234.6 167.3

Sector: Insurance

Website: www.hastingsplc.com

Company Synopsis:

The Hastings Group is a general insurance provider to the UK market. The retail business is Hastings Insurance Services Limited, with around 90% of policies directly underwritten by the group's Gibraltar based insurer, Advantage Insurance.

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