PRA RULEBOOK: CAPTIVE INSURERS INSTRUMENT 2026

Powers exercised

A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 59 (Approval for particular arrangements)
(2) section 60 (Applications for approval);
(3) section 64A (Rules of conduct);
(4) section 137G (The PRA's general rules);
(5) section 137T (General supplementary powers);
(6) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Captive Insurers instrument 2026

C. The PRA makes the rules in the Annexes to this instrument.

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Templates, Annexes and instructions documents

D. The rules in this Instrument include any template, Annex or instruction document referred to in the rules. Where indicated by "here", the rules when published electronically will include a hyperlink to the appropriate document.

Commencement

E. This instrument comes into force on [DATE].

Citation

F. This instrument may be cited as the PRA Rulebook: Captive Insurers Instrument 2026.

By order of the Prudential Regulation Committee
[DATE]

Annex A

Amendments to the Glossary Part

In this Annex new text is underlined and deleted text is struck through.

…

captive capital requirement

means an amount of *captive capital resources* that a *UK captive insurer* must hold in accordance with 4.2 of the Captive Insurers – Valuation, Financial Resources and Capital Requirements Part.

captive capital resources

means the *Tier 1 capital resources* and *Tier 2 capital resources* the *UK captive insurer* holds in accordance with 4.4 and 4.5 of the Captive Insurers – Valuation, Financial Resources and Capital Requirements Part.

…

insurance holding company

means a *parent undertaking*, other than a *UK Solvency II firm*, a *UK captive insurer* and a *mixed financial holding company*, the main business of which is to acquire and hold *participations* in *subsidiary undertakings* and which fulfils the following conditions:

(1) its *subsidiary undertakings* are either exclusively or mainly *UK Solvency II firms*, *UK captive insurers*, *third country insurance undertakings*, *third country reinsurance undertakings* or *ancillary insurance services undertakings*: the *subsidiary undertakings* of a *parent undertaking* are mainly *UK Solvency II firms*, *third country insurance undertakings*, *third country reinsurance undertakings*, *UK captive insurers* or *ancillary insurance services undertakings* where more than 50% of two or more of:

(a) the *parent undertaking's* consolidated assets;

(b) the *parent undertaking's* consolidated revenues;

(c) the *group SCR* (as if calculated at the level of the *parent undertaking*),

are derived from *subsidiaries* that are *UK Solvency II firms*, *third country insurance undertakings*, *third country reinsurance undertakings*, *UK captive insurers* or *ancillary insurance services undertakings*; and

(2) at least one of those *subsidiary undertakings* is a *UK Solvency II firm*.

[Note: Art. 212(1)(f) of the *Solvency II Directive*]

…

liability subject to compulsory insurance

means any liability required under any of the following enactments to be covered by insurance or (as the case may be) by some other provisions for securing its discharge:

(1) section 1(4A)(d) of the Riding Establishments Act 1964 (or any corresponding enactment for the time being in force in Northern Ireland);

(2) section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 or Article 5 of the Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972;

(3) Part VI of the Road Traffic Act 1988 or Part VIII of the Road Traffic (Northern Ireland) Order 1981;

(4) section 19 of the Nuclear Installations Act 1965.

…

material non-group undertaking

means an *undertaking* (other than a *sole trader*) with a contractual and material financial relationship with an *affiliated company* of a *UK captive insurer* that falls into one or more of the following cases:

(1) a project participant of an *owner-controlled insurance programme*;

(2) a *minority interest undertaking*;

(3) a *franchise arrangement undertaking*;

(4) a *significant supplier undertaking*.

…

net insurance liabilities

means the amount of a *UK captive insurer's insurance liabilities* less the value of any *reinsurance* recoverables.

…

net premium

(1) …

(2A) (in respect of *UK captive insurers*) means the amount of:

(a) the *UK's captive insurer's gross written premiums*; less

(b) any *reinsurance* premiums paid or payable by the *UK captive insurer* in the *financial year* in question in respect of *reinsurance* relating to the *gross written premiums* referred to in (a).

…

non-directive insurer

means a *firm* with a *Part 4A permission* to *effect contracts of insurance* or *carry out contracts of insurance*, other than:

(1) a *UK Solvency II firm*;

(2) a *third country branch undertaking*; ~~or~~

(3) where the *firm* has the permission by reason only of the operation of the EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018~~.~~; or

(4) a *UK captive insurer*.

…

operational risk

(in the Solvency II Firms Sector of the *PRA* Rulebook) means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events, including legal risks which, for the purposes of Solvency Capital Requirement – General Provisions 3.3(1), includes legal risks but excludes risks arising from strategic decisions and reputational risks.

(in the Non-Solvency II Firms Sector of the PRA Rulebook, and in relation to *UK captive insurers*) means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

…

participation

(in the Solvency II Firms Sector of the *PRA* Rulebook and in relation to *UK captive insurers*) means:

(1) the ownership, direct or by way of *control*, of 20% or more of the voting rights or capital of an *undertaking*; or

(2) where an *undertaking* which holds, directly or indirectly, voting rights or capital in another *undertaking* over which it effectively exercises a significant influence.

…

PRA senior management function

means:

(1) in respect of a *CRR firm*, a *credit union* and a *third country CRR firm* a function specified as a *controlled function* in Senior Management Functions 2 in relation to the carrying on of *regulated activity* by a *firm*.

(2) (in respect of a *UK Solvency II firm*, the *Society*, a *managing agent*, a *third country branch undertaking* (other than a *Swiss general insurer*) ~~and~~, a *UK ISPV* and a *UK captive insurer*) that aspect of any *key function* relating to the carrying on of a *regulated activity* by the *firm*, which is specified by the *PRA* in Insurance – Senior Management Functions 3 to 10 and 12 pursuant to section 59 of *FSMA*.

…

…

small business

means a *partnership*, *body corporate*, unincorporated association or mutual association with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).

…

UK captive insurer

means a *firm* (other than a *mutual* or a *body corporate* that is a wholly owned *subsidiary* with no share capital but limited by guarantee):

(1) with a *Part 4A permission* to *effect contracts of insurance* or *carry out contracts of insurance*;

(2) that is a *subsidiary undertaking* that is wholly owned by its *parent undertaking*, exclusively or together with one or more *affiliated company* in the *parent undertaking's group*; and

(3) that is incorporated in the *UK*;

the purpose of which is to provide *insurance business* in respect of risks of its *group* or certain wider *undertakings* only.

…

Tier 1 capital resource

means an item that qualifies as a *Tier 1 capital resource* in accordance with 5.1 of the Captive Insurers – Valuation, Financial Resources and Capital Requirements Part.

…

Annex B

Amendments to the Change in Control Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 (1) Unless otherwise stated, this Part applies to every *firm* except:

(a) [deleted~~.~~]

(b) a *non-directive friendly society*; ~~and~~

(c) a *UK ISPV*~~.~~;

(d) a *UK captive insurer*.

…

Annex C

Amendments to the Close Links Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm*.

<u>1.1A Chapter 4 of this Part does not apply to a *UK captive insurer*.</u>

…

Annex D

Amendments to the General Provisions Part

In this Annex new text is underlined and deleted text is struck through.

…

3 DISCLOSURE TO RETAIL CLIENTS

3.1 This Chapter:

…

(f) *long-term insurance business* if:

(i) [deleted~~.~~]

(ii) the *policyholder's habitual residence* is outside the *UK* and the *policyholder* is not present in the *UK* when the *contract of insurance* is entered into;~~ or~~

(g) text messages, account statements, business cards or compliment slips (used as such)~~.~~; or

(h) *UK captive insurers.*

…

6 DISCLOSURE TO RETAIL CLIENTS ON ACTIVITIES FROM NON-UK ESTABLISHMENTS

6.1 This Chapter:

…

(2) does not apply to:

…

(d) *MiFID or equivalent third country business*~~.~~;

(e) *UK captive insurers.*

…

7 INSURANCE AGAINST FINANCIAL PENALTIES

7.1 This Chapter applies to every *firm*, except *UK captive insurers*.

…

Annex E

Amendments to the Group Supervision Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

…

intermediate holding company

means an *insurance holding company* or a *mixed financial holding company* through which a *Solvency II undertaking* in a *group* holds a *participation* in a *related Solvency II undertaking*, a *third country insurance undertaking*, ~~or~~ a *third country reinsurance undertaking or a UK captive insurer*.

…

2 CASES OF APPLICATION AND SCOPE OF GROUP SUPERVISION

2.1 This Part applies at the level of the *group* to types of *groups* where:

(1) either:

(a) a *UK Solvency II firm* is a *participating undertaking* in at least one other *Solvency II undertaking*, *third country insurance undertaking*, ~~or~~ *third country reinsurance undertaking*~~;~~ *or UK captive insurer;* or

(b) a *Solvency II undertaking* (other than a *UK Solvency II firm*) is a *participating undertaking* in a *UK Solvency II firm;* or

…

8C CLASSIFICATION OF OWN-FUND ITEMS OF INSURANCE HOLDING COMPANIES, MIXED FINANCIAL HOLDING COMPANIES, UK CAPTIVE INSURERS AND ANCILLARY SERVICES UNDERTAKINGS AT GROUP LEVEL

8C.1

Where an *own funds* item has been issued by an *insurance holding company*, a *mixed financial holding company*, an *intermediate holding company*, *a UK captive insurer* or an *ancillary services undertaking* in the *group*, the *own funds* item must be classified using the criteria for classification set out in Own Funds 3A – 3J provided that all of the following requirements are met:

(1) the *undertaking* complies with the requirements set out in Own Funds 3B.1 – 3B.13, 3E.1 – 3E.5 and 3G.1 – 3G.5;

(2) the *own funds* item is free from encumbrances and is not connected with any other transaction, which when considered with the *own funds* item, could result in that *own funds* item not satisfying the requirements set out in Own Funds 3.1 to 3.3 at *group* level.

8C.2

For the purposes of point (1) of 8C.1:

(1) the term '*SCR*' in Own Funds 3B.1 – 3B.13, 3E.1 – 3E.5 and 3G.1 – 3G.5 shall mean the group *SCR*;

(2) the term '*MCR*' in Own Funds 3B.1 – 3B.13, 3E.1 – 3E.5 and 3G.1 – 3G.5 includes both non-compliance with the relevant minimum referred to in 8A.2(2) and the insolvency of the *insurance holding company*, *mixed financial holding company*, *intermediate holding company*, *UK captive insurer* or *ancillary services undertaking*.

8C.3

For the purposes of this Chapter, references to '*firm*' in Own Funds 3A – 3J in the context of the characteristics and features of an *own funds* item shall mean the *insurance holding company*, the *mixed financial holding company*, the *intermediate holding company*, *UK captive insurer* or the *ancillary services undertaking* which has issued the *own funds* item.

8D OWN FUNDS ITEMS FREE FROM ENCUMBRANCES

8D.1

For the purposes of 8A.1(2), 8B.1(2) and 8C.1(2), own funds items must not be considered to be free from encumbrances unless the claims relating to those own funds items rank after the claims of all *policyholders* of the *Solvency II undertakings* and (where relevant) *UK captive insurers* belonging to the *group*.

…

9 GROUP SOLVENCY: ELIMINATION OF DOUBLE USE OF ELIGIBLE OWN FUNDS AND INTRA-GROUP CREATION OF CAPITAL AND VALUATION

…

9.4B The following items of a *related undertaking* that is a *Solvency II undertaking*, *third country insurance undertaking* or *third country reinsurance undertaking*, *insurance holding company* or *mixed financial holding company* shall in any case not be considered as effectively available to cover the *group SCR*:

(1) any minority interest in a *subsidiary* exceeding the contribution of that *subsidiary* to the *group SCR*, where the *subsidiary* is a *Solvency II undertaking*, *third country insurance undertaking* or *third country reinsurance undertaking*, an *insurance holding company* or a *mixed financial holding company*;

(2) any minority interest in a *subsidiary UK captive insurer* or *subsidiary ancillary services undertaking*;

(3) any *restricted own funds* within a *ring-fenced fund*.

…

11 CALCULATION METHODS: METHOD 1

…

11.1A

Consolidated data for the calculation of group solvency according to *method 1* shall consist of all of the following:

(1) full consolidation of data of all the *Solvency II undertakings*, *third country insurance undertaking* or *third country reinsurance undertakings*, *insurance holding companies*, *mixed financial holding companies*, *UK captive insurers* and *ancillary services undertakings* which are *subsidiaries* of the *parent undertaking*;

…

(3) proportional consolidation of data of the *Solvency II undertakings*, *third country insurance undertaking* or *third country reinsurance undertakings*, *insurance holding companies*, *mixed financial holding companies*, *UK captive insurers* and *ancillary services undertakings* managed by an *undertaking* referred to in point (1) together with one or more *undertakings* not included in point (1), where those *undertakings'* responsibility is limited to the share of the capital they hold;

…

(6) in accordance with Valuation 9.1 – 9.6, data of all *related undertakings*, including *UK captive insurers*, *ancillary services undertakings*, *collective investment undertakings* and investments packaged as funds, other than those referred to in points (1) to (5) of this rule.

Annex F

Amendments to the Information Gathering Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION

1.1 This Part applies to every *firm*~~.~~<u>, except a *UK captive insurer*.</u>

…

Annex G

Amendments to the Insurance - Allocation of Responsibilities Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

…

(5) a *UK ISPV* or *UK captive insurer*, in accordance with 7.

…

2 ALLOCATION OF RESPONSIBILITIES

2.1 Subject to 3A.3 & 3B.3, a *firm* (other than a *third country branch undertaking*, a *third country insurance services provider*, a *small run-off firm* ~~or~~, a *UK ISPV*, or a *UK captive insurer*) must allocate each of the *prescribed responsibilities* set out in 3.1 (other than 3.1(10) and (11)) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

…

2.2 Subject to 3A.3 & 3B.3, a *firm* (other than a *third country branch undertaking*, a *third country insurance services provider*, a *small run-off firm* ~~or~~, a *UK ISPV*, *or a UK captive insurer*) must allocate each of the *prescribed responsibilities* set out in 3.1(10) and (11) and the *prescribed responsibility* set out in 3.3, if applicable, to one or more *non-executive directors* who perform:

…

2.5 A *UK ISPV*, or *UK captive insurer* must allocate each of the *prescribed responsibilities* set out in 3.1(A1) to 3.1(A3) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

…

7 UK ISPVS AND UK CAPTIVE INSURERS

7.1 This Chapter applies only to *firms* that are *UK ISPVs* or *UK captive insurers*.

7.2 A *firm* that is a *UK ISPV* or a *UK captive insurer* is not required to comply with the requirements laid down in:

(1) 4 (Identification of Key Functions); and

(2) 5.1 to 5.3 and 5.7 (Records).

7.3 The requirements in 5.4 and 5.6 apply to a *firm* that is a *UK ISPV* or *UK captive insurer* as if any reference to a *key function holder* were a reference to a *PRA senior management function holder*.

7.4 The requirements in 5.8 apply to a *UK ISPV* or *UK captive insurer* as if the reference to the *management responsibilities map* were deleted.

Annex H

Amendments to the Insurance - General Application Part

In this Annex new text is underlined and deleted text is struck through.

2 UK SOLVENCY II FIRM

…

2.2 The conditions referred to in 2.1(1) are, subject to the exclusions in 2.3 to 2.6:

…

(6) if it obtained its *Part 4A permission* to *effect contracts of insurance and/or carry out contracts of insurance* on or after *Solvency II implementation date*, the *firm* is not excluded pursuant to:

(a) 2.3 on the date it obtains such *Part 4A permission*, unless 2.5 applies; or

(b) 2.6;~~ and~~

(7) the *firm* is not a *pure reinsurer* which ceased to conduct new *reinsurance contracts* before 10 December 2007~~.~~<u>; and</u>

<u>(8) the firm is not a *UK captive insurer*.</u>

…

Annex I

Amendments to the Insurance – Senior Management Functions Part

In this Annex new text is underlined and deleted text is struck through.

…

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

…

(5) a *UK ISPV*, and *UK captive insurer*, in accordance with 12; and

…

2 GENERAL

…

2.3

(1) A *firm* (other than a *third country branch undertaking*, a *firm* that does not have an establishment in the *UK*, a *small run-off firm*, ~~or~~ a *UK ISPV*~~)~~, or a *UK captive insurer*) must ensure that one or more *persons* performs each of the following *PRA senior management functions* on its behalf:

(a) the *Chief Executive function*;

(b) the *Chief Finance function*; and

(c) the *Chair of the Governing Body function*.

(2) If a vacancy arises in respect of one or more of the *PRA senior management functions* set out in (1), a *firm* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.

…

12 UK ISPVS AND UK CAPTIVE INSURERS

12.1 This Chapter applies only to *firms* that are *UK ISPVs*~~.~~, or *UK captive insurers*,

12.2 [Deleted]

12.3 The *Chief Executive function* (SMF1) for a *UK ISPV*, or *UK captive insurer* is the function of having responsibility for:

(1) the conduct of all activities of the *UK ISPV*, or *UK captive insurer* that are subject to the *regulatory system*; and

(2) where the *UK ISPV*, or *UK captive insurer* has a services provider, the conduct of all activities of the services provider that are subject to the *regulatory system*.

12.4 (1) A UK ISPV, or *UK captive insurer* must have at least one *person* approved to perform the *Chief Executive function*.

(2) If a vacancy arises in respect of the *Chief Executive function*, the *UK ISPV*, or *UK captive insurer* must ensure that it appoints a *person* to fill that vacancy as soon as possible.

12.5 A *UK ISPV*, or *UK captive insurer* is not required to have any *person(s)* approved to perform any of the other *PRA senior management functions*.

Annex J

Amendments to the Insurance - Senior Managers Regime - Application and Notifications Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated this Part applies to:

(1) a *UK Solvency II firm*;

(2) in accordance with *Insurance General Application 3*, the *Society*, as modified by 8;

(3) in accordance with *Insurance General Application 3*, a *managing agent*, as modified by 8;

(4) a *third country branch undertaking* (other than a *Swiss general insurer*);

(5) a *UK ISPV*; ~~and~~

(6) a third country insurance services provider~~.~~; and

(7) a *UK captive insurer*.

…

Annex K

Amendments to the Insurance - Conduct Standards Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

(1) a *UK Solvency II firm*;

(2) in accordance with Insurance General Application 3, the *Society*, as modified by 4;

(3) in accordance with Insurance General Application 3, *managing agents*, as modified by 4;

(4) a *third country branch undertaking* (other than a *Swiss general insurer*);

(5) a *UK ISPV*;

(5A) a *third country insurance services provider*;~~ and~~

(5B) a *UK captive insurer*; and

…

…

Annex L

Amendments to the Insurance - Fitness and Propriety Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

(1) a *UK Solvency II firm*;

(2) in accordance with Insurance General Application 3, the *Society*, as modified by 5;

(3) in accordance with Insurance General Application 3, *managing agents*, as modified by 5;

(4) a *third country branch* undertaking (other than a *Swiss general insurer*);

(5) a *UK ISPV*;~~ and~~

(6) a *third country insurance services provider*~~.~~; and

(7) a *UK captive insurer*.

…

4 DISCLOSURE AND REPLACEMENTS

4.1

(1) A *firm* (other than a *UK ISPV* ~~or~~, *third country insurance services provider*, or *UK captive insurer*) shall notify the *PRA* of any changes to the identity of *key function holders* and shall provide the *PRA* with:

(a) all the information needed to assess whether such *person* is fit and proper pursuant to 2.2; and

(b) the information referred to in Insurance - Allocation of Responsibilities 5.1(3) in respect of that *person*.

(2) A *UK ISPV*, or *UK captive insurer* shall notify the *PRA* of any changes to the identity of *key function holders* who are effectively running the *firm* and shall provide the *PRA* with all the information needed to assess whether such *person* is fit and proper pursuant to 2.2.

[Note: Art. 42(2) of the *Solvency II Directive*]

(3) Where a *firm* has complied with 4.1(1) in connection with the appointment of a *person* as a *key function holder*, and such *person* transfers from that *key function* to a different *key function* or is appointed to an additional *key function*, in either case within the same *firm*, for the purposes of 4.1(1) the *firm* need only supply, in connection with such subsequent appointment:

(a) updates to the information previously provided; and

(b) if the *key function holder* is also to perform a *PRA senior management function* or an *FCA controlled function*, the information required in connection with an application for approval to do so.

…

Annex M

Amendments to the Notifications Part

In this Annex new text is underlined and deleted text is struck through.

…

11 CONDUCT RULES: NOTIFICATIONS

11.1 This Chapter applies to every *firm* that is:

(a) a *CRR firm*;

(b) a *credit union*; or

(c) a *third country CRR firm* in relation to the activities of its establishment in the ~~UK~~*UK*;

(d) a *UK Solvency II firm*;

(e) in accordance with Insurance General Application 3, the *Society*, as modified by 14;

(f) in accordance with Insurance General Application 3, *managing agents*, as modified by 14;

(g) a *third country branch undertaking*;

(h) a *UK ISPV*;~~ and~~

(i) a *non-directive insurer*~~.~~; and

(j) a *UK captive insurer*.

…

Annex N

Amendments to the Policyholder Protection Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

…

~~*liability subject to compulsory insurance*~~

~~means any liability required under any of the following enactments to be covered by insurance or (as the case may be) by some other provisions for securing its discharge:~~

~~(1) section 1(4A)(d) of the Riding Establishments Act 1964 (or any corresponding enactment for the time being in force in Northern Ireland);~~

~~(2) section 1 of the Employers' Liability (Compulsory Insurance) Act 1969 or Article 5 of the Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972;~~

~~(3) Part VI of the Road Traffic Act 1988 or Part VIII of the Road Traffic (Northern Ireland) Order 1981;~~

~~(4) section 19 of the Nuclear Installations Act 1965.~~

…

~~*small business*~~

~~means a *partnership*, *body corporate*, unincorporated association or mutual association with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).~~

…

ANNEX 2: METHODOLOGY FOR CALCULATION OF A PARTICIPANT FIRM'S LEVY SHARE

Insurance Class B1	General Insurance Provision
…	….
Tariff base	… Relevant net premium income <u>for *firms* except *UK captive insurers*</u> is calculated in accordance with the method applicable to the *firm* for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4(2)(b) with the following adjustments: … Eligible liabilities <u>for *firms* except *UK captive insurers*</u> are calculated in accordance with the method applicable to the *firm* for calculating

	'best estimate liabilities for fees purposes' in Fees 1.2 and Fees 3.4(2)(b) with the following adjustments: … Relevant net premium income for *UK captive insurers* is gross written premium in respect of protected contracts of insurance with eligible claimants, where gross written premium means the item entered under row code R0010 and column code C0010 in template CP.03.01 of the Captive Insurers - Reporting Part. Eligible liabilities for *UK captive insurers* are the *UK captive insurer's* insurance liabilities that correspond to protected contracts of insurance with eligible claimants. For the purposes of the calculation of relevant net premium income and eligible liabilities for *UK captive insurers*: (1) 'insurance liabilities' has the meaning given in the Captive Insurers – Valuation, Financial Resources and Capital Requirements Part; (2) 'protected contracts of insurance' has the meaning given in the Policyholder Protection Part; and (3) 'eligible claimants' has the meaning given in the Policyholder Protection Part.

Insurance Class C1	Life and Pensions Provision
…	….
Tariff base	… Relevant net premium income for *firms* except *UK captive insurers* is calculated in accordance with the method applicable to the *firm* for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4 (3)(c) with the following adjustments: … Eligible liabilities for *firms* except *UK captive insurers* are calculated in accordance with the method applicable to the *firm* for calculating 'best estimate liabilities for fees purposes' in Fees 1.2 and Fees 3.4 (3)(c) with the following adjustments: … Relevant net premium income for *UK captive insurers* is gross written premium in respect of protected contracts of insurance with eligible claimants, where gross written premium means the item entered under row code R0010 and column code C0010 in template CP.03.01 of the Captive Insurers - Reporting Part.

	Eligible liabilities for *UK captive insurers* are the *UK captive insurer's* insurance liabilities that correspond to protected contracts of insurance with eligible claimants. For the purposes of the calculation of relevant net premium income and eligible liabilities for *UK captive insurers*: (1) 'insurance liabilities' has the meaning given in the Captive Insurers – Valuation, Financial Resources and Capital Requirements Part; (2) 'protected contracts of insurance' has the meaning given in the Policyholder Protection Part; and (3) 'eligible claimants' has the meaning given in the Policyholder Protection Part.

Annex O

Amendments to the Use of Skilled Persons Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to:

(1) all *firms* <u>except *UK captive insurers*</u>; and

(2) a *CRR consolidation entity* as if it were a *firm*.

…

Annex P

Captive Insurers – General Provisions

In this Annex, the text is all new and is not underlined.

Part

CAPTIVE INSURERS – GENERAL PROVISIONS

Chapter content

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to a *UK captive insurer.*

1.2 In this Part, the following definitions shall apply:

employee benefits protection contract

means a *contract of insurance* which:

(1) covers a specified group of persons;

(2) provides benefits, in the form of periodic payments, a lump sum or other type of benefit, to or in respect of those persons; and

(3) is of the following type, *class*, or description:

(a) a *permanent health* policy;

(b) an *income protection policy*;

(c) a sickness policy specified in paragraph 2 of Part 1 of Schedule 1 to the *Regulated Activities Order*;

(d) a *policy* payable on the death of a member of the group, including benefits payable by reference to death in service, whether in the form of a lump sum or by way of annuity;

(e) an annuity payable to dependants of a member of the group on or following the death of that member;

(f) a *policy* consisting of, or representing the continuation of, payments falling within paragraph (b);

(g) a *policy* payable on the occurrence of a severe illness or medical condition of a member of the group, being an illness or condition of a kind specified in the policy; or

(h) an annuity payable to dependants of a member of the group arising from a claim on a *group death in service dependants' annuity* contract.

franchise arrangement undertaking

means an *undertaking* (franchisee) that has entered into a contractual agreement with an *affiliated company* (franchisor) of a *UK captive insurer* that grants the relevant *undertaking* the right to engage in business to sell goods or services, under a system designed by the *affiliated company* prescribing the manner in which that business is operated which can include the use of trademarks, trade names and logo types.

net insurance liabilities limit

means 10% of the total *net insurance liabilities* owed by the *UK captive insurer* in respect of any *financial year*.

net premium limit

means 10% of the total *net premium* received by a *UK captive insurer* in respect of any *financial year*.

minority interest undertaking

means an *undertaking* which an *affiliated company* of a *UK captive insurer,* whether alone or together with other members of its *group*, holds at least 5% of the voting rights in the relevant *undertaking*.

owner-controlled insurance programme

means a programme under which *contracts of insurance* are entered into by a *UK captive insurer* that satisfies the following conditions:

(1) the programme relates to a single construction, infrastructure, energy or similar project;

(2) the *affiliated company* of the *UK captive insurer*:

(a) solely sponsors or controls and has overall responsibility for the project;

(b) has directly or indirectly entered into binding contractual arrangements in relation to the project with each participant in the project; and

(c) has assumed responsibility for purchasing insurance cover relating to the project including for any project participant.

(3) each project participant participates in the project pursuant to contractual arrangements, which define their role and responsibilities and allocates specified project risks to the *affiliated company* responsible for the project.

permitted beneficiaries

means the *employees*, or the nominated dependant(s) of those *employees*, of the *parent undertaking* of a *UK captive insurer*, or an *affiliated company* in its *group*.

regulatory fine

means a financial penalty imposed by any statutory or regulatory authority, professional organisation or trade body, either domestically or internationally.

significant supplier undertaking

means an *undertaking* that an *affiliated company* in a *UK captive insurer's group*, relies upon for the supply of goods or services that is of such importance that a failure in the delivery of those goods or services would cause significant financial impact upon the *affiliated company's* continuing ability to carry on its business.

2 FUNDAMENTAL RULES

2.1 A *UK captive insurer* must comply with the *Fundamental Rules*, except the rule in 2.8.

3 LEGAL STATUS AND LOCATION

3.1 A *UK captive insurer* must be incorporated in the *UK*.

4 GENERAL RESTRICTIONS OF ACTIVITIES AND BUSINESS

4.1 A *UK captive insurer* must not carry on any commercial business other than *insurance business*, and activities directly arising from that business.

4.2 Without prejudice to the rules in Chapter 5, a *UK captive insurer* must not assume:

(1) insurance obligations, unless the insured *persons* under the *contract of insurance* are either:

(a) its *parent undertaking*;

(b) its *affiliated company*; or

(c) its *material non-group undertaking*;

(2) *reinsurance* obligations, unless the insured *persons* under the *contracts of insurance* are either:

(a) its *parent undertaking*;

(b) its *affiliated company*; or

(c) its *material non-group undertaking*.

4.3 A *UK captive insurer* must not assume a *liability subject to compulsory insurance*, unless and to the extent that it is in accordance with 5.2(1).

4.4 A *UK captive insurer* must not carry on *long-term insurance business*, unless and to the extent it is in accordance with 5.1.

4.5 Where a *UK captive insurer* has an *affiliated company* that is an *insurance undertaking*, the *UK captive insurer* must not assume any *reinsurance* obligations in respect of *contracts of insurance* entered into by that *affiliated company* that provide cover against the risk of incurring liabilities to third parties, unless the only insured *persons* under those *contracts of insurance* are any of the *undertakings* set out in 4.2(2)(a), (b) or (c).

5 SPECIFIC RESTRICTIONS OF ACTIVITES AND BUSINESS

5.1 In respect of an *employee benefits protection contract* (including an *employee benefits protection contract* that constitutes *long-term insurance business*) a *UK captive insurer* may only assume *reinsurance* (and not direct insurance) obligations, and only if and to the extent that the *employee benefits protection contract* covers *permitted beneficiaries*.

5.2 A *UK captive insurer* may only accept *reinsurance* (and must not accept direct insurance) obligations in respect of the following:

(1) a *contract of insurance* providing cover in respect of a *liability subject to compulsory insurance*; and

(2) a *contract of insurance* under which its *affiliated company* or its *material non-group undertaking* is the *policyholder* and one or more *employees* of those *undertakings* is expressly named as insured persons, and which provides cover against the risk of those named persons incurring liabilities to third parties in the course of their employment by the *affiliated company* or *material non-group undertaking* (as the case may be).

5.3 A *UK captive insurer* must not assume liabilities under any *contract of insurance* of a kind specified in paragraphs 14, 15 or 16 of Part 1 of Schedule 1 to the *Regulated Activities Order* where the purpose, or one of the principal purposes of that *contract of insurance*, is to protect the insured *persons* against the risk of financial loss, reduced financial return, or an adverse financial outcome arising from changes in the value, or performance of any *investment,* fund*,* benchmark, index or portfolio.

5.4 In relation to a *material non-group undertaking*, a *UK captive insurer* may only accept *reinsurance* (and must not accept direct insurance) obligations, where:

(1) the *material non-group undertaking* is a *small business*; or

(2) the *material non-group undertaking* meets the definition of a small business in *FCA* rules that establish eligible complainants to the Financial Ombudsman Service.

5.5 In relation to the obligations assumed under a *contract of insurance* or *reinsurance* entered into with any:

(1) *minority interest undertakings*;

(2) *franchise arrangement undertakings*; or

(3) *significant supplier undertakings*;

a *UK captive insurer* must not exceed the limit set out in 5.6, applied separately to each category of undertaking referred to in (1), (2) or (3), in any of its *financial years*.

5.6 The limit referred to in 5.5 is whichever is the lower of the *net premium limit* or the *net insurance liabilities limit*.

6 SECURITISATION

6.1 A *UK captive insurer* must not participate in a *securitisation* as *originator*, *sponsor* or *original lender*.

6.2 A *UK captive insurer* must not hold a *securitisation position*.

7 REGULATORY FINES

7.1 A *UK captive insurer* must not pay a *regulatory fine* imposed on a present or former *employee*, *director* or *partner* of:

(1) the *UK captive insurer*;

(2) its *parent undertaking*;

(3) its *affiliated company*; or

(4) its *material non-group undertaking*.

7.2 A *UK captive insurer* must not enter into, arrange, claim on or make a payment under a *contract of insurance* that is intended to have, or has or would have, the effect of indemnifying:

(1) its *parent undertaking*;

(2) its *affiliated company*;

(3) its *material non-group undertaking*; or

(4) a present or former *employee*, *director* or *partner* of any of the above;

against all or part of a *regulatory fine*.

8 DISCLOSURE

8.1 A *UK captive insurer* must take reasonable care to ensure that every letter (or electronic equivalent) which it or its *employees* send to a *material non-group* undertaking, with a view to or in connection with the *UK captive insurer* carrying on a *regulated* activity, includes the following disclosure:

(1) that the *UK captive insurer* is a *UK captive insurer* and *subsidiary* owned by [name of the *parent undertaking* and any *affiliated company*, where relevant].

(2) that the *UK captive insurer* is "Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority."

9 PARTICIPATION

9.1 A *UK captive insurer* must not hold a *participation* in a:

(1) *UK Solvency II undertaking*;

(2) *third country insurance undertaking*; or

(3) *third country reinsurance undertaking*.

Annex Q

Captive Insurers – Valuation, Financial Resources and Capital Requirements

In this Annex, the text is all new and is not underlined.

[Note: The defined terms '*accumulated other comprehensive income*', '*deferred tax asset*', '*defined benefit asset*', '*distribution*', '*share premium accounts*', '*intangible assets*', '*other reserves*' and '*retained earnings*' will enter the Glossary to the PRA Rulebook on 1 January 2027 – see the PRA's Policy Statement – CRR Definitions: restatement in PRA Rulebook.]

Part

CAPTIVE INSURERS – VALUATION, FINANCIAL RESOURCES AND CAPITAL REQUIREMENTS

Chapter content

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to a *UK captive insurer.*

1.2 In this Part, the following definitions shall apply:

additional capital requirement

means an amount calculated in accordance with 4.3.

baseline capital requirement

means an amount of £100,000.

insurance liabilities

means the *UK captive insurer's* technical provisions or insurance contract liabilities, as specified in the applicable *accounting principles*.

Tier 2 capital resource

means an item that qualifies as a *Tier 2 capital resource* in accordance with 6.1 subject to 4.6.

2 VALUATIONS

2.1 Subject to 2.2 and 2.3, a *UK captive insurer* must for the purposes of meeting the requirements in this Part, recognise its assets and liabilities and measure their value in accordance with *accounting principles*.

2.2 A *UK captive insurer* must not recognise the following items as assets for the purpose of 2.1:

(1) *intangible assets*;

(2) *deferred tax assets* that rely on future profitability; or

(3) a *defined benefit asset*.

2.3 A *UK captive insurer* may recognise an item that is a *Tier 2 capital resource* as an asset for the purpose of 2.1

2.4 A *UK captive insurer* must have effective systems and controls to ensure that assets and liabilities are recognised and valued in a reliable and appropriate manner for the purpose of complying with 2.1

2.5 A *UK captive insurer* must be able to demonstrate to the *PRA*:

(1) the applicability and relevance of the methods applied; and

(2) the adequacy of the underlying statistical data used;

when recognising and valuing its assets and liabilities in accordance with 2.1.

3 ADEQUATE FINANCIAL RESOURCES

3.1 A *UK captive insurer* must maintain at all times:

(1) overall financial resources (including *captive capital resources*) and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due; and

(2) assets recognised in accordance with Chapter 2 that are sufficient to cover its liabilities (including but not limited to its *insurance liabilities*).

3.2 A *UK captive insurer* must have in place sound, effective and complete processes, strategies and systems to assess and maintain on an ongoing basis the amounts, types and distribution of financial resources (including *captive capital resources*) that it considers adequate to cover:

(1) the nature and level of the risks to which it is or might be exposed;

(2) the risk that its liabilities cannot be met as they fall due; and

(3) the risk that the *UK captive insurer* might not be able to meet its *captive capital requirement* in the future.

3.3 A *UK captive insurer* must identify separately the amount of *Tier 1 capital resources*, *Tier 2 capital resources*, and any other financial resources relied on for the purposes of complying with 3.1.

3.4 A *UK captive insurer* must at all times monitor whether it is complying with the rules in this Part and be able to demonstrate that it knows at all times whether it is complying with them.

4 CAPITAL REQUIREMENT

4.1 A *UK captive insurer* must, at all times, maintain *captive capital resources* that, in aggregate, are equal to or exceed its total *captive capital requirement*.

4.2 The total *captive capital requirement* is:

(1) the *baseline capital requirement*; plus

(2) the *additional capital requirement* (if applicable).

4.3 The *additional capital requirement* is the amount, if any, by which the higher of:

(1) 10% of the *UK captive insurer's net premium*; or

(2) 10% of the *UK captive insurer's net insurance liabilities*,

exceeds the *baseline capital requirement*.

4.4 A *UK captive insurer* must hold *Tier 1 capital resources* to cover the *baseline capital requirement*.

4.5 Subject to 4.6, a *UK captive insurer* may hold *Tier 1 capital resources* (that are not used to meet the *baseline capital requirement*) or *Tier 2 capital resources* to cover the *additional capital requirement* (if applicable).

4.6 If a *UK captive insurer* recognises an item as an asset in accordance with 2.3, it can only use that item as a *Tier 2 capital resource* in accordance with 4.5 to the extent that the value of the item exceeds the amount that the *UK captive insurer* has attributed to meeting the requirement in 3.1(2).

4.7 A *UK captive insurer* must, on a forward-looking basis, determine if it should hold capital resources in excess of its *captive capital requirement*, taking into account:

(1) the *UK captive insurer's* overall solvency needs considering the specific risk profile, approved risk tolerance limits and the business strategy of the *UK captive insurer*;

(2) the risks the *UK captive insurer* is or could be exposed to, including potential future changes in its risk profile, including because of its business strategy, the economic or financial environment or its *operational risks*;

(3) the nature and quality of its capital and other resources appropriate to cover the risks in 4.7(2).

4.8 A *UK captive insurer* must:

(1) ensure that the determination referred to in 4.7 is made by its *governing body*; and

(2) be able to provide the information referred to in 4.7 to the *PRA* if the *PRA* requests it.

5 TIER 1 CAPITAL RESOURCES

5.1 A *UK captive insurer* must not use an item as a *Tier 1 capital resource* unless it is listed in 5.2 and meets all other applicable requirements of this Chapter.

5.2 *Tier 1 capital resources* of *UK captive insurers* consist of the sum of the following:

(1) capital instruments that meet the conditions in 5.4;

(2) *share premium accounts* related to the instruments referred to in point (1);

(3) *retained earnings*;

(4) *accumulated other comprehensive income*;

(5) *other reserves*.

The items referred to in points (3) to (5) may only be recognised as *Tier 1 capital resource* where they are available to the *UK captive insurer* for unrestricted and immediate use to cover risks or losses as soon as these occur.

5.2A When calculating its *Tier 1 capital resources*, a *UK captive insurer* must deduct:

(1) any losses in *retained earnings* or *accumulated other comprehensive income*; and

(2) the items referred to in 2.2.

5.3 For the purposes of point (3) of 5.2, a *UK captive insurer* must not include interim or year-end profits as *Tier 1 capital resource* before the *UK captive insurer* has taken a formal decision confirming the final profit or loss of the *UK captive insurer* for the year unless:

(1) those profits have been verified by *persons* independent of the *UK captive insurer* that are responsible for the auditing of the accounts of that *UK captive insurer*; and

(2) the *UK captive insurer* has ensured that any foreseeable charge or *distribution* has been deducted from the amount of those profits.

A verification of the interim or year-end profits of the *UK captive insurer* must provide an adequate level of assurance that those profits have been evaluated in accordance with *accounting principles*.

5.4 Capital instruments only qualify as *Tier 1 capital resource* if all the following conditions are met:

(1) the instruments are duly issued directly by the *UK captive insurer*;

(2) the instruments are fully paid up and the proceeds of issue are immediately and fully available;

(3) the instruments:

(a) are ordinary *shares* (which, for the avoidance of doubt, does not include any s*hares* the *UK captive insurer* holds in itself);

(b) are classified as equity under the applicable *accounting principles*; and

(c) are not treated as a liability in the event of insolvency or winding up of the *UK captive insurer*;

(4) the instruments are perpetual;

(5) the principal amount of the instruments may not be reduced, redeemed, repurchased or repaid unless:

(a) it occurs on the winding up the *UK captive insurer*; or

(b) at all other times, the *UK captive insurer* would continue to meet its *captive capital requirement* once the reduction, redemption, repayment or repurchase has been completed;

(6) the provisions governing the instruments do not indicate expressly or implicitly that the principal amount of the instruments would be reduced, redeemed, repurchased or repaid (other than in the circumstances described in points (5)(a) and (5)(b) above), and the *UK captive insurer* does not otherwise provide such an indication prior to or at issuance of the instruments;

(7) the instruments meet the following conditions regarding *distributions*:

(a) *distributions* made under the instrument are not paid ahead of, or on terms that are more favourable than, any other *Tier 1 capital resource item* instruments;

(b) *distributions* to holders of the instruments may be paid only out of:

(i) the amount of *profits* at the end of the last *financial year* plus any *profits* brought forward and reserves available for that purpose calculated before any *distributions*; less

(ii) any losses brought forward and any amounts that are not distributable in accordance with the applicable law or the *UK captive insurer's* constitutional documents;

(c) the conditions governing the instruments do not limit the amount of any *distributions*;

(d) the level of *distributions* is not determined by the amount for which the instruments were purchased at issuance;

(e) the *UK captive insurer* is not subject to any obligation to make *distributions*;

(f) non-payment of *distributions* does not constitute an event of default of the *UK captive insurer*;

(g) the cancellation of *distributions* imposes no restrictions on the *UK captive insurer*;

(h) *distributions* are not permitted unless, immediately after making a *distribution*, the *UK captive insurer* would continue to meet the *captive capital requirement*.

(8) compared to all the *captive capital resources* instruments issued by the *UK captive insurer*, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the same degree as all other *Tier 1 capital resources* instruments;

(9) the instruments rank below all other claims in the event of insolvency or winding up of the *UK captive insurer*, except claims from holders of other *Tier 1 capital resource* instruments which rank pari passu with the instruments;

(10) the instruments entitle their owners to a claim on the residual assets of the *UK captive insurer*, which, in the event of its winding up and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap;

(11) the instruments are neither secured nor subject to a guarantee that enhances the seniority of the claim by any member of the *UK captive insurer's group* or any of its *material non-group undertakings*; and

(12) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or winding up.

6 TIER 2 CAPITAL RESOURCES

6.1 A *UK captive insurer* must not use an item as a *Tier 2 capital resource* unless:

(1) it is included in one of the categories in 6.2;

(2) it complies with all the conditions set out in 6.3; and

(3) to the extent that it is not excluded under 6.4.

6.2 The categories for the purposes of 6.1(1) are:

(1) letters of credit issued by a *credit institution* naming the *UK captive insurer* as the only beneficiary;

(2) commitments from a *parent undertaking* of the *UK captive insurer* to give the *UK captive insurer* cash or cash equivalents.

6.3 The conditions for the purposes of 6.1(2) are:

(1) the items are available to the *UK captive insurer* on demand for unrestricted use;

(2) the terms do not impose any conditions that need to be satisfied before payment is due to the *UK captive insurer* (other than submitting a valid demand for payment);

(3) the terms must permit a valid demand for payment to be submitted electronically;

(4) the terms provide that payment must be received by the *UK captive insurer* no later than the end of the *working day* following the date on which a valid demand for payment is made;

(5) the *UK captive insurer* is not required to repay any amounts paid to it, or provide any *collateral* in connection with the transaction;

(6) the items are not subject to set-off, netting or any other arrangements that would undermine their capacity to absorb losses (including an arrangement that results in creating or increasing a liability for the *UK captive insurer*), save as required by law;

(7) the terms are legally binding and enforceable by the *UK captive insurer* and cannot be withdrawn or amended without the prior consent of the *UK captive insurer*; and

(8) the total amount available under the items (irrespective of any amounts drawn) cannot be cancelled or reduced unless the *UK captive insurer* would continue to meet its *captive capital requirement* once the cancellation or reduction has been completed.

6.4 A *UK captive insurer* may only attribute an amount to a *Tier 2 capital resource* to the extent that:

(1) the amount attributed reflects the actual amount that the *UK captive insurer* would obtain if it makes a call under the item; and

(2) it is based on prudent and realistic assumptions.

Annex R

Captive Insurers – Governance and Risk Management

In this Annex, the text is all new and is not underlined.

Part

CAPTIVE INSURERS - GOVERNANCE AND RISK MANAGEMENT

Chapter content

APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to a *UK captive insurer.*

1.2 In this Part, the following definitions shall apply:

material third-party arrangement

means a *third-party arrangement* which is of such importance that a disruption or failure in the performance of the product or service provided to the *UK captive insurer* could:

(1) pose a risk to:

(a) the *UK captive insurer*'s safety and soundness; or

(b) an appropriate degree of protection for those who are or may become the *UK captive insurer*'s *policyholders*; or

(2) cast serious doubt upon the *UK captive insurer*'s ability to satisfy the *threshold conditions* or *Fundamental Rules*.

protected disclosure

means a qualifying disclosure as defined in section 43B of the Employment Rights Act 1996 made by a *worker* in accordance with sections 43C to 43H of the Employment Rights Act 1996.

reportable concern

means a concern held by any *person* in relation to the activities of a *UK captive insurer*, including:

(1) any matter that, if disclosed, would be the subject-matter of a *protected disclosure*, including a breach of any rule;

(2) a failure to comply with the *UK captive insurer's* policy and procedures; and

(3) behaviour that has or is likely to have an adverse effect on the *UK captive insurer's* reputation or financial well-being.

third-party arrangement

means an arrangement of any form between a *UK captive insurer* and a *person* who provides a product or service to the *UK captive insurer*, whether or not the product or service is:

(1) one which would otherwise be provided by the *UK captive insurer* itself;

(2) provided directly or by a sub-contractor; or

(3) provided by a *person* within the same *group* as the *UK captive insurer*.

worker

means as defined by section 230(3) of the Employment Rights Act 1996 and as extended under section 43K of the Employment Rights Act 1996.

1.3 In this Part, a reference to a provision of the Employment Rights Act 1996 includes a reference to the corresponding provision of the Employment Rights (Northern Ireland) Order 1996.

2 GOVERNANCE AND RISK MANAGEMENT REQUIREMENTS

2.1 A *UK captive insurer* must ensure that its *governing body* is ultimately responsible for the *UK captive insurer's* compliance with the *PRA* rules, *FSMA* and all applicable law, rules, regulations and administrative provisions deriving from *FSMA* that apply to *UK captive insurers*.

2.2 A *UK captive insurer* must ensure that its *governing body* includes at least two *natural persons* that effectively run the *UK captive insurer*:

(1) the person approved to perform the *Chief Executive function*; and

(2) a *non-executive director*.

2.3 A *UK captive insurer* must have an effective system of governance, overseen by its *governing body*, which provides for the sound and prudent management of the *UK captive insurer* and which is appropriate to the nature, scale and complexity of the risks it assumes and the *regulated activity* for which it is authorised.

2.4 The system of governance of a *UK captive insurer* must include:

(1) written policies in relation to, at least, risk management, internal control, administrative and accounting procedures and, where relevant, *outsourcing*;

(2) effective *internal controls* to ensure that the mandatory conditions and restrictions in Captive Insurers – General Provisions Part are fulfilled on an on-going basis; and

(3) an effective risk-management system comprising processes and reporting procedures necessary to identify, measure, monitor, manage and report, on an ongoing basis the risks to which the *UK captive insurer* could be exposed.

3 MATERIAL THIRD-PARTY ARRANGEMENTS

3.1 A *UK captive insurer* must:

(1) when relying upon a *material third-party arrangement* ensure that it takes reasonable steps to avoid undue *operational risk*; and

(2) not outsource important *functions* in such a way as to impair materially:

(a) the quality of its *internal controls*; and

(b) the ability of the *PRA* to monitor the *UK captive insurer*'s compliance with all obligations under the *regulatory system*.

3.2 A *UK captive insurer* entering into a *material third-party arrangement* will remain fully responsible for discharging all of its obligations under the *regulatory system.*

3.3 Where a *UK captive insurer* enters into a *material third-party arrangement* and the service providers are members of its *group*, the *UK captive insurer* may, for the purpose of complying with this Chapter, take into account the extent to which the *UK captive insurer* controls the service provider or has the ability to influence its actions.

3.4 A *UK captive insurer* must in a timely manner, give the *PRA* notice when entering into, or significantly changing a *material third-party arrangement*.

3.5 Without prejudice to 3.1 and 3.2, a *UK captive insurer* must exercise due skill, care and diligence when entering into, managing or terminating a *material third-party arrangement* and must take the necessary steps to ensure that the following conditions are met:

(1) the service provider has the ability, capacity, sufficient resources and appropriate organisational structure to support the performance of the outsourced *functions* reliably and professionally, and any authorisation required by law to perform the *functions* for the *UK captive insurer*;

(2) the service provider cooperates with the *PRA* in connection with the outsourced *functions*; and

(3) the *UK captive insurer*, its auditors, and the *PRA* have effective access to data related to the outsourced *functions*, as well as the relevant business promises of the service provider, where necessary for the purpose of effective oversight in accordance with this rule and the *PRA* are able to exercise those rights of access.

3.6 When choosing a service provider for a *material third-party arrangement* a *UK captive insurer* must ensure that the respective rights and obligations of the *UK captive insurer* and of the service provider are clearly allocated, and:

(1) set out in a written agreement;

(2) that is approved by the *UK captive insurer's governing body*.

3.7 A *UK captive insurer* must ensure that the terms and conditions of the written agreement referred to in 3.6 are consistent with the *UK captive insurer's* obligations as provided for in 3.1 and 3.2.

3.8 A *UK captive insurer* which proposes to enter into a *martial third-party arrangement* must establish a written policy which takes into account the impact of the arrangement on:

(1) its business; and

(2) the reporting and monitoring arrangements to be implemented to deal with those impacts in cases where such arrangement are entered into.

4 INFORMATION GATHERING

4.1 A *UK captive insurer* must take reasonable steps to ensure that its agents, *appointed representatives* and suppliers under *material third-party arrangements* deal in an open, cooperative and timely way with the *PRA* in the discharge of its functions under any relevant legislation in relation to the *UK captive insurer*.

4.2 Subject to section 413 of *FSMA*, a *UK captive insurer* must, in relation to the discharge of the *PRA*'s functions under any *relevant legislation*:

(1) permit any representative or appointee of the *PRA* to have access to any document that the *PRA* reasonably requests;

(2) make itself readily available to meet any representative or appointee of the *PRA* as the *PRA* reasonably requests; and

(3) answer truthfully, fully and promptly all questions reasonably put to it by any representative or appointee of the *PRA*.

4.3 Subject to section 413 of *FSMA*, a *UK captive insurer* must, in relation to the discharge of the *PRA*'s functions under any *relevant legislation*, take reasonable steps to ensure that the following *persons* act in the manner set out in 4.1 in relation to the *UK captive insurer*:

(1) its *employees*, agents and *appointed representatives*; and

(2) any other members of its *group*, and their *employees* and agents.

4.4 Subject to section 413 of *FSMA*, a *UK captive insurer* must cooperate with the *PRA* in providing information at the request of another regulator to enable that regulator to discharge its functions.

5 CONTRACTS WITH SKILLED PERSONS AND DELIVERY OF REPORTS

5.1 If a *UK captive insurer* appoints a *skilled person*, that *UK captive insurer* must give the *PRA* sufficient and timely information about the cost of the *skilled person's* report or collection or updating of information, including both an initial estimate of the cost as well as the cost of the completed report, collection or updating of information.

5.2 When a *UK captive insurer* appoints a *skilled person*, the *UK captive insurer* must, in a contract with that *person*:

(1) require and permit the *skilled person* during and after the course of their appointment:

(a) to cooperate with the *PRA* in connection with the discharge of its supervisory function; and

(b) to communicate to the *PRA* information on, or the *skilled person's* opinion on, matters of which they have, or had, become aware in their capacity as a *skilled person* reporting on the *UK captive insurer* in the following circumstances:

(i) the *skilled person* reasonably believes that the information on, or their opinion on, matters for which they were appointed may be of material significance to the *PRA* in determining whether the *UK captive insurer* concerned complies with and will continue to comply with the *PRA* rules that apply to the *UK captive insurer*; or

(ii) the *skilled person* reasonably believes that the *UK captive insurer* is not, may not be or may cease to be a going concern;

(2) require the *skilled person* to prepare a report or collect or update information, as notified to the *UK captive insurer* by the *PRA* that has required such report, collection or updating within the time specified by the *PRA*; and

(3) waive any contractual or other duty of confidentiality owed by the *skilled person* to the *UK captive insurer* which might limit the provision of information or opinion by that *skilled person* to the *PRA* in accordance with (1) or (2).

5.3 A *UK captive insurer* must ensure that the contract it makes with the *skilled person* under 5.2 requires and permits the *skilled person* to provide the following to the *PRA* if requested to do so:

(1) interim reports;

(2) source data, *documents* and working papers;

(3) copies of any draft reports given to the *UK captive insurer*; and

(4) specific information about the planning and progress of the work to be undertaken (which may include project plans, progress reports including percentage of work completed, details of time spent, costs to date, and details of any significant findings and conclusions).

5.4 A *UK captive insurer* must ensure that the contract required by 5.2 is:

(1) governed by the laws of any part of the *UK*;

(2) in writing, and:

(a) expressly provides that the *PRA* has a right to enforce the provisions included in the contract under 5.2, 5.3 and 5.4(2)(b) to (d);

(b) expressly provides that, in proceedings brought by the *PRA* for the enforcement of those provisions, the *skilled person* is not to have available by way of defence, set-off or counterclaim any matter that is not relevant to those provisions;

(c) if the contract includes an arbitration agreement, expressly provides that the *PRA* is not, in exercising the right in (a), to be treated as a party to, or bound by, the arbitration agreement; and

(d) expressly provides that the provisions included in the contract under 5.2, 5.3 and 5.4(2) are irrevocable and may not be varied or rescinded without the *PRA's* consent; and

(3) not varied or rescinded in such a way as to extinguish or alter the provisions referred to in (2)(d).

5.5 When a *UK captive insurer* appoints a *skilled person*, it must take reasonable steps to ensure that the *skilled person* delivers a report or collects or updates information in accordance with the terms of the *skilled person's* appointment.

5.6 A *UK captive insurer* must provide all reasonable assistance to a *skilled person* appointed to provide a report under section 166 of *FSMA* (Reports by skilled persons) or to collect or update information under section 166A (Appointment of skilled person to collect and update information) of *FSMA* and take reasonable steps to ensure that its *employees* and agents also provide all reasonable assistance to that *skilled person*.

6 WHISTLEBLOWING

6.1 A *UK captive insurer* must establish, maintain and implement appropriate and effective arrangements for the disclosure of *reportable concerns* by a *person*, including a *UK captive insurer's employee*, internally through a specific, independent and autonomous channel.

6.2 The channel in 6.1 may be provided through arrangements with third parties, including social partners, subject to any applicable requirement in Chapter 3 of this Part.

6.3 A *UK captive insurer* must inform all *workers* of the channel referred to in 6.1.

6.4 A *UK captive insurer* must inform all *workers*:

(1) that they may disclose directly to the *PRA* or to the *FCA* anything that would be the subject-matter of a *protected disclosure*;

(2) of what could constitute a *protected disclosure*;

(3) that the *PRA* and the *FCA* are prescribed persons under section 43F of the Employment Rights Act 1996 and the effect of making a *protected disclosure* to the *PRA* or to the *FCA*; and

(4) of the means available to make a *protected disclosure* to the *PRA* or the *FCA*.

6.5 A *UK captive insurer* must ensure that nothing in its arrangements prevents or discourages any *worker* from making any disclosure to the *PRA* or the *FCA* before making the disclosure through the channel referred to in 6.1.

6.6 A *UK captive insurer* must ensure that nothing in any employment contract or settlement agreement, including any other related or ancillary documentation, between the *UK captive insurer* and a *worker* relating to the *worker's* employment with the *UK captive insurer*, entered into after the date on which these rules come into effect, prevents or discourages the *worker* from:

(1) making a *protected disclosure*, including to the *PRA*; and

(2) making a further *protected disclosure* connected to a *protected disclosure* already made under (1).

7 INTERNAL AUDIT

7.1 A *UK captive insurer* must establish an effective internal audit function.

7.2 The internal audit function referred to 7.1 may be either:

(1) in-house; or

(2) subject to any applicable requirement in this Part relating to *material third-party arrangements*, outsourced to a third party.

Annex S

Captive Insurers – Reporting

In this Annex, the text is all new and is not underlined.

Part

CAPTIVE INSURERS - REPORTING

Chapter content

APPLICATION

1.1 This Part applies to a *UK captive insurer.*

2 REPORTING

2.1 A *UK captive insurer* must submit to the *PRA* such information as is necessary for the purposes of the *PRA's* supervision of the *UK captive insurer*.

2.2 A *UK captive insurer* must submit a report with all of the information set out in this Part to the *PRA*.

2.3 A *UK captive insurer* must submit the report referred to in 2.2 at least annually.

2.4 A *UK captive insurer* must submit the report referred to in 2.2 no later than 70 *business days* after the *UK captive insurers' financial year* end.

2.5 As part of the reporting referred to in 2.2, a *UK captive insurer* must submit annually to the *PRA* quantitative information using the templates set out in 3.1 and in accordance with the instructions in 3.2, and comprising:

(1) content of submission, as specified in template CP.01.01, according to the instructions under the reference CP.01.01;

(2) basic information on the *UK captive insurer*, as specified in template CP.01.02, according to the instructions under the reference CP.01.02;

(3) balance sheet and capital data of the *UK captive insurer*, distinguishing the material classes of assets, liabilities and capital items as specified in template CP.02.01, according to the instructions under the reference CP.02.01;

(4) profit and loss data of the *UK captive insurer*, distinguishing income and expenditure and lines of business as specified in template CP.03.01, according to the instructions under the reference CP.03.01;

(5) capital activity of the *UK captive insurer*, distinguishing the type of capital as specified in template CP.04.01, according to the instructions under the reference CP.04.01;

2.6 As part of the reporting referred to in 2.2, a *UK captive insurer* must submit annually to the *PRA* qualitative information covering the following:

(1) an adequate description of the basis, methods and assumptions used for the purposes of the data reported;

(2) information to demonstrate that the *UK captive insurer* has complied with all of its *captive capital requirements* throughout the reporting period that the report covers; or

(3) if the *UK captive insurer* has not continuously complied with any *captive capital requirement* during the reporting period, the *UK captive insurer* shall report any relevant information on that non-compliance and its rectification in order to comply with it during the reporting period.

2.7 A *UK captive insurer* must submit all monetary data from the report referred to in 2.2 in the *UK captive insurer's* currency of reporting. For that purpose, other currencies shall be converted into the currency of reporting, using the applicable exchange rate at the end of the reporting period.

2.8 A *UK captive insurer* must submit quantitative content of the report referred to in 2.2 to the *PRA* in an electronic format.

2.9 A *UK captive insurer* must submit numeric values as facts according to the following formats:

(1) data points with the data type 'Monetary' shall be reported using a minimum precision equivalent to units; and

(2) data points with the data type 'Integer' shall be reported using no decimals and a precision equivalent to units.

3 FORMS

3.1 The templates referred to in 2.5 are the following:

(1) template CP.01.01 can be found here.

(2) template CP.01.02 can be found here.

(3) template CP.02.01 can be found here.

(4) template CP.03.01 can be found here.

(5) template CP.04.01 can be found here.

3.2 The instructions referred to in 2.5 can be found here.

Annex T

Captive Insurers – Captive in difficulty or in run-off

In this Annex, the text is all new and is not underlined.

Part

CAPTIVE INSURERS - CAPTIVE IN DIFFICULTY OR IN RUN-OFF

Chapter content

1 APPLICATION AND DEFINITION

1.1 Unless otherwise stated, this Part applies to a *UK captive insurer*.

1.2 In this Part, the following definitions shall apply:

financial requirements

means

(1) the overall financial resources requirement in rule 3.1 of the Captive insurers – Valuation, Financial Resources and Capital Requirements Part; or

(2) a *captive capital requirement* in rule 4.1 of the Captive insurers – Valuation, Financial Resources and Capital Requirements Part.

2 IDENTIFICATION AND NOTIFICATION OF DETERIORATING FINANCIAL CONDITIONS

2.1 A *UK captive insurer* must have procedures in place to identify deteriorating financial conditions and must immediately notify the *PRA* when such deterioration occurs.

3 NON-COMPLIANCE WITH OVERALL FINANCIAL RESOURCES OR CAPTIVE CAPITAL REQUIREMENT

3.1 A *UK captive insurer* must:

(1) immediately inform the *PRA* as soon as it observes that it is no longer complying with its *financial requirements*, or where there is a risk of non-compliance within the next three *months*;

(2) upon request by the *PRA*, be ready to explain:

(a) why its *financial requirements* have not been met;

(b) if, and by when, it expects to adequately restore its financial position so that it is meeting its *financial requirements*; and

(c) the measures it expects to take to restore, as soon as possible, its financial position so that it is meeting its *financial requirements*.

3.2 A *UK captive insurer* must not:

(1) make a *distribution*: or

(2) reduce, redeem, repurchase or repay the principal amount of a *Tier 1 capital resource* instrument (outside of a winding up of the *UK captive insurer*)

unless it would continue to meet the *captive capital requirement* immediately after making the *distribution*, or once it has completed the applicable step in (2).

3.3 A *UK captive insurer* must not make a loan to a member of its *group* if it does not comply with its *captive capital requirement*.

4 CEASING TO EFFECT CONTRACTS OF INSURANCE AND RUN-OFF

4.1 If a *UK captive insurer* decides to cease to effect new *contracts of insurance* in respect of the whole of its *insurance business*, it must, within 28 days of that decision, notify the *PRA*.

4.2 A *UK captive insurer* must, if the *PRA* requests it, be ready to:

(1) explain how, or to what extent, all *liabilities to policyholders* will be met in full as they fall due;

(2) describe its run-off strategy; and

(3) provide the necessary financial projections to show how it will cover the run-off period until all *liabilities to policyholders* are met.

4.3 For the purpose of 4.1, a new *contract of insurance* excludes contracts effected under a term in a subsisting *contract of insurance*.

4.4 During its run-off period a *UK captive insurer* must notify the *PRA*, within 28 days of the event or issue arising, of any matter that has resulted, or may reasonably be expected to result, in a material change to its run-off strategy, financial position, or ability to meet its *liabilities to policyholders* as they fall due.

Annex U

Amendments to the Fees Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

…

life insurance fee block

means *firms* (other than *UK captive insurers*) whose *permission* includes *effecting* or *carrying out contracts of insurance* which are, or include, *life policies* or entering into a funeral plan contract as provider.

…

3 PERIODIC FEES

…

3.4 The *tariff bases* and *valuation points* referred to in 3.3(3)(a) are:

…

(2) for *firms* in the *general insurance fee block* (A3) the *firm's gross written premium for fees purposes* and its *best estimate liabilities for fees purposes* for the *firm's* financial year which ends in the calendar year to 31 December prior to commencement of the *fee year*, unless the *firm* is a *UK ISPV* or a *UK captive insurer*, in which case the *tariff base* is not relevant and a flat fee shown in Table IIIA of the *Periodic Fees Schedule* is payable, noting that:

(a) this *tariff* base (A3) does not include *gross written premium* for *fees purposes* and *best estimate liabilities for fees purposes* on which a *composite firm* reports data relevant for the *life insurance fee block* (A4).

(b) where any figure used in the calculation of this tariff base (A3) is a negative number, it shall instead be deemed to be zero.

(c) in the calculation of the *periodic fee* due under 3.3(3) for this *fee block* (A3), the following weightings shall apply:

(i) 90% of the *periodic fee* shall be determined from *gross written premium for fees purposes*; and

(ii) 10% of the *periodic fee* shall be determined from *best estimate liabilities for fees purposes*.

…

Periodic Fees Schedule – Fee Rates and Modifications for the Period from 1 March 2026 to 28 February 2027

…

TABLE IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM FEE BLOCK FOR THE FEE YEAR 2026-27

Column 1 ***Fee block***	**Column 2** ***Tariff base***	**Column 3** ***Tariff bands***	**Column 4** ***Tariff rates***
A1 *deposit acceptors fee block*	*modified eligible liabilities*	Band width (£million of *MELs*)	Fee payable per million or part million of *MELs*(£)
		>10 – 140	32.358
		>140 – 630	32.358
		>630 – 1,580	32.358
		>1,580 – 13,400	40.448
		> 13,400	53.391
A3 general insurers *fee block gross written premium for fees purposes, best estimate liabilities for fees purposes*	*gross written premium for fees purposes*	Band width (£million of *gross written premium for fees purposes*)	Fee payable per million of *gross written premium for fees purposes* (£)
		…	…
	best estimate liabilities for fees purposes	Band Width (£ million of *best estimate liabilities for fees purposes*)	Fee payable per million of *best estimate liabilities for fees purposes* (£)
		…	…
		For *UK ISPVs* and *UK captive insurers* the *tariff rates* are not relevant and a flat fee of £430.00 is payable in respect of each *fee year*.	
…	…	…	…

…

4 REGULATORY TRANSACTION FEES

…

4.5

Regulatory transaction fees for *applications* for *new authorisations* are payable in accordance with Table B:

(1) [Deleted.]

Table B – New authorisations	
Application type	£
Type 1: A3 or A4 *fee payer* which is a *friendly society* or a *fee payer* which is an A1 *credit union*	0
Type 2: A3 *fee payer* seeking permission as a *UK insurance special purpose vehicle* or as a *UK captive insurer* A5 *fee payer* seeking permission as a *managing agent* at Lloyd's	5,000
…	…

…

GLOSSARY EXTERNALLY DEFINED TERM

Term	Definition source
group (except in Annex E – Group Supervision)	section 421(1) of *FSMA*