PRA RULEBOOK: SOLVENCY II FIRMS: CAPTIVE INSURERS (CONSEQUENTIAL AMENDMENTS) 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 137G (The PRA's general rules).

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

PRA Rulebook: Solvency II Firms: Captive Insurers (Consequential Amendments) Instrument 2026

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

Part	Annex
Glossary	A
Minimum Capital Requirement	C
Solvency Capital Requirement - Standard Formula	B

Commencement

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

Citation

E. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Captive Insurers (Consequential Amendments) 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.

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~~*captive insurer*~~

~~means a *UK Solvency II firm* owned by:~~

~~(1) a financial *undertaking* other than a *UK Solvency II firm*; or~~

~~(2) a *group* of *UK Solvency II firms*; or~~

~~(3) a non-financial *undertaking*;~~

~~the purpose of which is to provide insurance cover exclusively for the risks of the *undertaking* or *undertakings* to which it belongs, or of an *undertaking*, or *undertakings*, of the *group* of which that *UK Solvency II firm* is a member.~~

~~*captive reinsurer*~~

~~means a *UK Solvency II firm* that is a *pure reinsurer* owned by:~~

~~(1) a financial *undertaking* other than a *UK Solvency II firm*; or~~

~~(2) a *group* of *UK Solvency II firms*; or~~

~~(3) a non-financial *undertaking*;~~

~~the purpose of which is to provide *reinsurance* cover exclusively for the risks of the *undertaking* or *undertakings* to which it belongs or of an *undertaking* or *undertakings* of the *group* of which that *pure reinsurer* is a member.~~

…

<u>*UK Solvency II intra-group insurer*</u>

<u>means a *UK Solvency II firm* owned by:</u>

<u>(1) a financial *undertaking* other than a *UK Solvency II firm*; or</u>

<u>(2) a *group* of *UK Solvency II firms*; or</u>

<u>(3) a non-financial *undertaking*;</u>

<u>the purpose of which is to provide insurance cover exclusively for the risks of the *undertaking* or *undertakings* to which it belongs, or of an *undertaking*, or *undertakings*, of the *group* of which that *UK Solvency II firm* is a member.</u>

<u>*UK Solvency II intra-group reinsurer*</u>

<u>means a *UK Solvency II firm* that is a *pure reinsurer* owned by:</u>

<u>(1) a financial *undertaking* other than a *UK Solvency II firm*; or</u>

<u>(2) a *group* of *UK Solvency II firms*; or</u>

<u>(3) a non-financial *undertaking*;</u>

<u>the purpose of which is to provide *reinsurance* cover exclusively for the risks of the *undertaking* or *undertakings* to which it belongs or of an *undertaking* or *undertakings* of the *group* of which that *pure reinsurer* is a member.</u>

…

Annex B

Amendments to the Minimum Capital Requirement Part

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

…

3 CALCULATION OF THE MINIMUM CAPITAL REQUIREMENT

…

3.2

The *MCR* must have an absolute floor of:

(1) £2,400,000 for *firms*, including ~~*captive insurers*~~*UK Solvency II intra-group insurers*, which have *Part 4A permission* to *effect contracts of insurance* or *carry out contracts of insurance* that are *contracts of general insurance*, except in the case where all or some of the *general insurance business classes* 10 to 15 are covered, in which case it must be no less than £3,500,000;

(2) £3,500,000 for *firms*, including ~~*captive insurers*~~*UK Solvency II intra-group insurers*, which have *Part 4A permission* to *effect contracts of insurance* or *carry out contracts of insurance* that are *contracts of long term insurance*;

(3) £3,500,000 for *pure reinsurers*, except in the case of ~~*captive resinsurers*~~*UK Solvency II intra-group reinsurers* that are *pure reinsurers*, in which case the *MCR* must be no less than £1,200,000;

(4) Unless (5) applies, the sum of the amounts set out in (1) and (2) for *composite firms* other than *pure reinsurers*; or

(5) For *composite firms*, other than *pure reinsurers*, whose *Part 4A permission* in relation to *general insurance business* is limited to *general insurance business class* 1 (accident) or *class* 2 (sickness) and where the gross written premiums for either:

(a) *general insurance business*; or

(b) *long-term insurance business*,

do not exceed 10% of total gross written premiums of the firm as a whole, the amount set out in (2).

…

Annex C

Amendments to the Solvency Capital Requirement - Standard Formula Part

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

…

7 SIMPLIFICATION IN THE STANDARD FORMULA

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7.3

A *firm* that is a ~~*captive insurer*~~*UK Solvency II intra-group insurer* or ~~*captive reinsurer*~~*UK Solvency II intra-group reinsurer* may use the simplified calculations set out in 7.4, 7.23, 7.25 and 7.27, where 7.2 is complied with and all of the following requirements are met:

…

7.4

(1) Subject to 7.2 and 7.3, a *firm* that is a ~~*captive insurer*~~*UK Solvency II intra-group insurer* or ~~*captive reinsurer*~~*UK Solvency II intra-group reinsurer* may calculate the capital requirement for *non-life premium and reserve risk* in accordance with the following formula:

…

7.23

(1) Subject to 7.2 and 7.3, a *firm* that is a ~~*captive insurer*~~*UK Solvency II intra-group insurer* or ~~*captive reinsurer*~~*UK Solvency II intra-group reinsurer* may calculate the capital requirement for *interest-rate risk* referred to in 3D4 as follows:

…

7.25

Subject to 7.2 and 7.3, a *firm* that is a ~~*captive insurer*~~*UK Solvency II intra-group insurer* or ~~*captive resinsurer*~~*UK Solvency II intra-group reinsurer* may base the calculation of the capital requirement for *spread risk* referred to in 3D17 on the assumption that all assets are assigned to *credit quality step* 3.

…

7.27

Subject to 7.2 and 7.3, a *firm* that is a ~~*captive insurer*~~*UK Solvency II intra-group insurer* or ~~*captive reinsurer*~~*UK Solvency II intra-group reinsurer* may use all of the following assumptions for the calculation of the capital requirement for concentration risk:

…