

**PRA RULEBOOK: SOLVENCY II FIRMS: INSURANCE SPECIAL PURPOSE VEHICLES
INSTRUMENT 2025**

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); and
 - (5) section 137T (General supplementary powers).
- 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: Solvency II Firms: Insurance Special Purpose Vehicles Instrument 2025

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

Part	Annex
Glossary	A
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Templates and instruction 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 24 July 2025.

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Insurance Special Purpose Vehicles Instrument 2025.

By order of the Prudential Regulation Committee

15 July 2025

Annex A**Amendments to the Glossary Part**

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

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PRA senior management function

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means:

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- (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*) 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*.

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Annex B

Amendments to the Group Supervision Part

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

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4 GROUP SOLVENCY: GENERAL PROVISIONS

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4.5 *Special purpose vehicles*, to which the *participating undertaking* or one of its *subsidiaries* has transferred risk shall be excluded from the calculation of group solvency in any of the following situations:

- (1) in the case of a *UK ISPV*, it complies with the requirements set out in Insurance Special Purpose Vehicles 2, 2A to ~~2G2D~~, and 5A.1 to ~~5A.55A.4~~; and
- (2) in the case of a *special purpose vehicle* in Gibraltar or a *third country*, it is regulated by a supervisory authority in Gibraltar or a *third country*, and complies with requirements equivalent to those set out in Insurance Special Purpose Vehicles 2, 2A to ~~2G2D~~, and 5A.1 to ~~5A.55A.4~~.

For the purposes of this rule, Insurance Special Purpose Vehicles 2, 2A to ~~2G2D~~, and 5A.1 to ~~5A.55A.4~~ shall apply at the level of the *group*.

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Annex C

Amendments to the Insurance Special Purpose Vehicles 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 a *UK ISPV*.

1.2 In this Part, the following definitions shall apply:

assumption of risk notification

means:

- (1) for a *UK protected cell company*, a notification by a *UK protected cell company* of the assumption of a risk required under regulation 60 of the *Risk Transformation Regulations*; and
- (2) for a *UK ISPV* other than a *UK protected cell company*, a notification under 5A.13.

cell

has the meaning given in regulation 2 of the *Risk Transformation Regulations*.

contractual arrangement

means an arrangement that:

- (1) comprises one or more *risk transformation transaction*; and
- (2) if it comprises more than one *risk transformation transaction*, satisfies the following criteria:
 - (a) the *UK ISPV* only assumes risk from the same *undertaking*;
 - (b) the risk assumed by the *UK ISPV* under the *risk transformation transactions* relates to the same underlying risk;
 - (c) more than one *risk transformation transaction* is used only for the purpose of renewing a *risk transformation transaction* or dividing the risk assumed by the *UK ISPV* into more than one tranche for the purpose of funding the *UK ISPV*'s exposure to that risk; and
 - (d) the *UK ISPV* has effective arrangements in place to separately identify the assets, cashflows and liabilities attributable to each respective *risk transformation transaction*.

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group of cells notification form

means the form in ~~rule 6.2.~~

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~~*MISPV new risk assumption notification form*~~

~~means the form in 6.1.~~

multi-arrangement special purpose vehicle

means a *UK ISPV* which assumes risks;

- (1) from more than one *undertaking*; or

- (2) ~~under more than one separate contractual arrangement from~~ under more than one separate contractual arrangement from *risk transformation transaction*, whether with one or more *undertakings*.

new risk assumption notification form

means the form in 6.1.

...

risk transformation transaction

means a transaction of *insurance risk transformation* pursuant to which a *UK ISPV* assumes a risk from an *undertaking* and fully funds its exposure to that risk in accordance with section 284A of *FSMA*.

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2 SOLVENCY REQUIREMENTS

2.1 A *UK ISPV* must ensure that, subject to 2.1A, at all times:

- (1) it is fully funded; and
- (2) if it is a *multi-arrangement special purpose vehicle*, ~~each group of cells (if any) is fully funded;~~
 - (a) it is fully funded in respect of the risks assumed pursuant to each *risk transformation transaction*; or
 - (b) if it is a *UK protected cell company*:
 - (i) each *cell* is fully funded in respect of the risks assumed by the *cell* pursuant to a *risk transformation transaction*; or
 - (ii) in the case of *cells* that are part of a *group of cells*, that *group of cells* is fully funded in respect of the risks assumed by the *group of cells* pursuant to a *risk transformation transaction*.

2.1A The requirements in 2.1 are subject to a grace period not exceeding 30 *business days* after the later of:

- (1) the date on which the *risk transformation transaction* is executed by all parties; and
 - (2) the inception date of the *risk transformation transaction*,
- where the requirements in 2.1B are satisfied.

2.1B The requirements to be satisfied to apply the grace period referred to in 2.1A are:

- (1) the *risk transformation transaction* clearly defines any applicable grace period and the implications of the grace period on the *UK ISPV*'s payment obligations to the *undertaking* transferring risk to the *UK ISPV* pursuant to the *risk transformation transaction*; and
- (2) the *UK ISPV* has effective arrangements in place to mitigate the risk of not having adequate and sufficient financial resources to pay any amounts that it may become liable to pay to the *undertaking* transferring risk to the *UK ISPV* pursuant to the *risk transformation transaction* during the grace period.

2.2 In order to be considered fully funded in accordance with 2.1, a *UK ISPV* must satisfy all of the following requirements:

- (1) the assets of the *UK ISPV* are recognised and valued in accordance with Valuation 2;

- (2) the *UK ISPV* has at all times assets the value of which is equal to or exceeds the *aggregate maximum risk exposure* and the *UK ISPV* is able to pay the amounts it is liable for as they fall due; and
- (3) the proceeds of the debt issuance or other financing mechanism are fully paid-in.

2.2A A *UK ISPV* may only use assets that are used to cover its *aggregate maximum risk exposure* under a risk transfer agreement ('risk transfer A') to cover all or part of its *aggregate maximum risk exposure* under a different risk transfer agreement ('risk transfer B'), subject to the following conditions:

- (1) the assets are not used to cover the *aggregate maximum risk exposure* of the *UK ISPV* under both risk transfer agreements, simultaneously;
- (2) the *risk transformation transaction* relating to risk transfer A and the *risk transformation transaction* relating to risk transfer B clearly define the extent to which the assets may be used to cover the *aggregate maximum risk exposure* under each risk transfer agreement, respectively;
- (3) the assets that are used to cover the *aggregate maximum risk exposure* under risk transfer A are identified and kept separate from the assets that are used to cover the *aggregate maximum risk exposure* under risk transfer B, and the *UK ISPV* has effective arrangements in place to ensure that those assets are not co-mingled;
- (4) using the assets to cover all or part of the *aggregate maximum risk exposure* under risk transfer B would not result in the *UK ISPV* not satisfying all the requirements under this Part in respect of the *risk transformation transaction* relating to risk transfer A or in respect of the *risk transformation transaction* relating to risk transfer B, including the requirements in 2.1, 2B.2 and 2B.4.

2.3 A *UK ISPV* must satisfy the requirements in 2.22.1 taking into account all of the following:

- (1) the liquidity risk of the *UK ISPV*;
- (2) the quantifiable risks of the *UK ISPV*; and
- (3) the arrangements for holding assets in the *UK ISPV*.

2.4 The *UK ISPV* must:

- (1) report on the matters referred to in 2.3(1) and 2.3(2) and demonstrate to the *PRA* that it satisfies the requirements set out in 2.22.1, in the report referred to in 5A.2; and
- (2) be able to demonstrate to the *PRA* that it satisfies the requirements set out in 2.22.1, if requested to do so.

2.5 Payments relating to existing *contracts of insurance* and *reinsurance contracts*, that are expected to be received in the future by the *UK ISPV* from the *undertaking* that has transferred risk to the *UK ISPV*, may be included in the assets of the *UK ISPV*, provided that all of the following requirements are met:

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- (3) the *UK ISPV* continues to meet the conditions set out in 2.22.1 in the event that the payments from the *undertaking* that has transferred risk to the *UK ISPV* are not received; and

...

2A GENERAL CONDITIONS

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2A.2 A UK ISPV must be able to demonstrate to the PRA that it meets the requirements set out in 2.1 to 2.6, 2A.1, Chapter 2B, 2C.1 to ~~2C.6~~2C.5, ~~2C.8 to 2C.10~~2D.1 to 2D.3 and 5A.1 to ~~5A.5~~5A.4.

2A.3 A UK ISPV must immediately inform the PRA of any changes that could affect the compliance by the UK ISPV with 2.1 to 2.6, Chapter 2A, Chapter 2B, 2C.1 to 2C.5 and 2D.1 to 2D.3.

2B MANDATORY CONTRACT CONDITIONS

2B.1 A UK ISPV must ensure that ~~the contractual arrangements relating to the transfer of risk from an undertaking to the UK ISPV~~each risk transformation transaction ensures that the UK ISPV is at all times fully funded in accordance with ~~2.22.1 to 2.5~~, subject to any applicable grace period referred to in 2.1A.

2B.2 A UK ISPV must ensure that the ~~contractual arrangements relating to the~~risk transformation transaction that transfers ~~of~~ risk from an *undertaking* to the UK ISPV and from the UK ISPV to the providers of debt or financing shall ensure all of the following:

- (1) the transfer of risk is effective ~~in all circumstances~~and enforceable in all relevant jurisdictions; and
- (2) the extent of risk transfer is clearly defined and incontrovertible.

2B.3 The transfer of risk shall not be effective in ~~all circumstances~~accordance with 2B.2 where there are connected transactions which could undermine the effective transfer of risk.

2B.4 A UK ISPV must ensure that the ~~contractual arrangements relating to the~~risk transformation transaction that transfers ~~of~~ risk from an *undertaking* to the UK ISPV and from that UK ISPV to the providers of debt or finance shall ensure all of the following:

- (1) the claims of the providers of debt or financing mechanisms are at all times subordinated to the payment obligations of the UK ISPV to the *undertaking*;
- (2) no payments are made to the providers of debt or financing, if following those payments, the UK ISPV would no longer be fully funded;
- (3) the providers of debt or finance to the UK ISPV have no rights of recourse to the assets of the *undertaking*; and
- (4) the providers of debt or finance to the UK ISPV have no rights to apply for the winding-up of the UK ISPV.

2C ~~SYSTEM OF GOVERNANCE~~FITNESS AND PROPRIETY

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2C.7 A UK ISPV must notify the PRA as soon as it becomes aware:

- (1) of any change of the shareholders or members having a *qualifying holding*; and
- (2) that any shareholder or member having a *qualifying holding* may not be fit and proper, taking into account the criteria in 2C.5.

2C.8 ~~A UK ISPV must have an effective system of governance which provides for the sound and prudent management of the UK ISPV and which is appropriate to the nature, scale and complexity of the risks it assumes and the regulated activity for which it is authorised.~~[Deleted]

2C.9 The system of governance of a UK ISPV must include:

~~(1) written policies:~~

- ~~(a) in relation to, at least, risk management, internal control, administrative and accounting procedures and, where relevant, *outsourcing*;~~
- ~~(b) including policies relating to the areas set out in Conditions Governing Business 3.1(2)(c) to the extent that these are relevant taking into account the *regulated activity* for which the *UK ISPV* is authorised;~~

~~(2) effective internal controls to ensure that the mandatory contract conditions in Chapter 2B and the requirements in 2.2 to 2.6 are fulfilled on an ongoing 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 ISPV* could be exposed. [Deleted]~~

2C.10 A *UK ISPV* must ensure that the policies referred to in 2C.9(1) are implemented effectively. [Deleted]

2D SYSTEM OF GOVERNANCE AND RISK MANAGEMENT

2D.1 A *UK ISPV* must have an effective system of governance which provides for the sound and prudent management of the *UK ISPV* and which is appropriate to the nature, scale and complexity of the risks it assumes and the *regulated activity* for which it is authorised.

2D.2 The system of governance of a *UK ISPV* must include:

(1) written policies:

- (a) in relation to, at least, risk management, internal control, administrative and accounting procedures and, where relevant, *outsourcing*;
- (b) including policies relating to the areas set out in Conditions Governing Business 3.1(2)(c) to the extent that these are relevant taking into account the *regulated activity* for which the *UK ISPV* is authorised;

(2) effective internal controls to ensure that the mandatory contract conditions in Chapter 2B and the requirements in 2.1 to 2.6 are fulfilled on an ongoing 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 ISPV* could be exposed.

2D.3 A *UK ISPV* must ensure that the policies referred to in 2D.2(1) are implemented effectively.

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4 MULTI-ARRANGEMENT SPECIAL PURPOSE VEHICLES

4.1 This Chapter only applies to a *multi-arrangement special purpose vehicle*.

4.2 A *multi-arrangement special purpose vehicle* must be a *UK protected cell company*.

4.2A The requirement in 4.2 does not apply where a *multi-arrangement special purpose vehicle* assumes risks under more than one separate *risk transformation transaction* that together constitute a *contractual arrangement*.

4.3 A *UK protected cell company* must submit an ~~Assumption of risk notification must be submitted using the *MISPV new risk assumption notification form*~~ new risk assumption notification form.

- 4.4 ~~A UK protected cell company must submit an inter-cell arrangement notification must be submitted using the group of cells notification form.~~
- 4.5 A multi-arrangement special purpose vehicle must be able to demonstrate to the PRA on request that its solvency cannot be adversely affected by the winding-up proceedings of any one of the *undertakings* transferring risks to it and that the *multi-arrangement special purpose vehicle* can maintain the solvency requirement referred to in ~~2.22.1~~ to 2.5 at all times, subject to any applicable grace period referred to in 2.1A.
- 4.6 When demonstrating that the *multi-arrangement special purpose vehicle's* solvency cannot be adversely affected by the winding-up proceedings of any one of the *undertakings* transferring risk to it, the *multi-arrangement special purpose vehicle* must provide sufficient supporting evidence to allow the PRA to assess the *multi-arrangement special purpose vehicle's* overall *aggregate maximum risk exposure* and the *aggregate maximum risk exposure of each individual contractual arrangement relating to the transfer of risk from an undertaking in respect of each risk transformation transaction.*
- 4.7 A multi-arrangement special purpose vehicle must be able to demonstrate to the PRA on request sufficient supporting evidence that it satisfies the conditions set out in ~~2.22.1~~ to 2.5 and Chapter 2B taking into account in respect of each individual contractual arrangement *risk transformation transaction* in order to determine whether the *multi-arrangement special purpose vehicle* complies with the applicable solvency requirements.

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5A SUPERVISORY REPORTING

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- 5A.5 ~~A UK ISPV must immediately inform the PRA of any changes that could affect the compliance by the UK ISPV with 2.2 to 2.6, Chapter 2A, Chapter 2B, 2C.1 to 2C.6 and 2C.8 to 2C.10. [Deleted]~~
- 5A.6 As part of the reporting referred to in 5A.2, a UK ISPV must submit annually to the PRA quantitative information using the templates set out in 6.3 and in accordance with the instructions in 6.4, and comprising:
- ...
- (5) risks assumed ~~regarding each individual contractual arrangement relating to the transfer of risk from an undertaking~~ from an *undertaking* pursuant to each *risk transformation transaction*, as specified in template SPV.03.01, according to the instructions under the reference SPV.03.01; and
 - (6) list of debt securities or other financing mechanism issued regarding each individual ~~contractual arrangement relating to the transfer of risk from an undertaking~~ *risk transformation transaction*, as specified in template SPV.03.02, according to the instructions under the reference SPV.03.02.
- 5A.7 As part of the reporting referred to in 5A.2, a UK ISPV must submit annually to the PRA qualitative information covering the following:
- ...
- (6) if the UK ISPV has not continuously complied with the requirement to be fully funded during the reporting period, the UK ISPV shall report any relevant information on that non-compliance and its rectification in order to comply with ~~2.22.1~~ to 2.5 during the reporting period; and

- (7) qualitative information on any changes that could affect the *UK ISPV*'s compliance with the requirements set out in ~~2.22.1~~ to 2.6, Chapter 2A, Chapter 2B, 2C.1 to 2C.6 and ~~2C.8 to 2C.10~~ 2D.1 to 2D.3.

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5A.9 When providing information on debt instruments issued or other financing mechanism entered into as required by 5A.7, a *UK ISPV* must report on the following:

- (1) the proceeds of the debt issuance or other financing mechanism and whether they have been fully paid-in regarding each individual ~~contractual arrangement relating to the transfer of risk from an undertaking~~ risk transformation transaction;

...

...

5A.13 A *UK ISPV* other than a *UK protected cell company* must notify the *PRA* when it assumes a risk from an *undertaking*.

5A.14 A *UK ISPV* other than a *UK protected cell company* must submit an *assumption of risk notification* using the *new risk assumption notification form*.

6 FORMS

6.1 The ~~*MISPV new risk assumption notification form*~~ *new risk assumption notification form* can be found ~~here~~ [here](#).

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6.3 The templates referred to in 5A.6 are the following:

- (1) template SPV.01.01 can be found ~~here~~ [here](#);
- (2) template SPV.01.02 can be found ~~here~~ [here](#);
- (3) template SPV.02.01 can be found ~~here~~ [here](#);
- (4) template SPV.02.02 can be found ~~here~~ [here](#);
- (5) template SPV.03.01 can be found ~~here~~ [here](#); and
- (6) template SPV.03.02 can be found ~~here~~ [here](#).

6.4 The instructions referred to in 5A.6 can be found ~~here~~ [here](#).

Annex D

Amendments to the Solvency Capital Requirement – Standard Formula Part

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

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3G5 RISK-MITIGATION TECHNIQUES USING REINSURANCE CONTRACTS OR SPECIAL PURPOSE VEHICLES

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5. Where risk is transferred to a *UK ISPV*, a *firm* must only take the *risk-mitigation technique* into account in the calculation of the *basic SCR* where the requirements in Insurance Special Purpose Vehicles Part 2, 2A to ~~2C2D~~ and 5A.1 to ~~5A.55A.4~~ are met, provided that:
 - (1) where the requirements for a *UK ISPV* to be fully funded cease to be fully met after the arrangement has been entered into, the *firm* may only partially recognise the protection offered by the insurance *risk-mitigation technique* if the *firm* can demonstrate that compliance with the fully funded requirement will be restored within three *months*; and
 - (2) for this purpose, the effect of the *risk-mitigation technique* must be reduced by the percentage of the *aggregate maximum risk exposure* of the *UK ISPV*, referred to in Insurance Special Purpose Vehicles ~~2-22.1~~ to 2.5 not covered by the assets of the *UK ISPV*.
6. Where risk is transferred to a *special purpose vehicle* that is regulated by a *third country* supervisory authority, a *firm* must not take the *risk-mitigation technique* into account in the calculation of the *basic SCR* unless requirements equivalent to those set out in Insurance Special Purpose Vehicles Part 2, 2A to ~~2C2D~~ and 5A.1 to ~~5A.55A.4~~ are met by the *special purpose vehicle*.

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Annex E

Amendments to the Insurance – Senior Management Functions Part

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

1 APPLICATIONS AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

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Chief Executive function

has the meaning given in 3.1 or 12.3 (as applicable).

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2 GENERAL

2.1 Each of the functions in 3 – 10 and 12 is a *controlled function* and a *PRA senior management function*.

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- 2.3 (1) A *firm* (other than a *third country branch undertaking*, a *firm* that does not have an establishment in the ~~UK~~ or a small run-off firm, or a UK ISPV) 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.

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12 UK ISPVs

12.1 This Chapter applies only to *firms* that are *UK ISPVs*.

12.2 ~~The following *PRA senior management functions* do not apply to a *UK ISPV*:~~

- ~~(1) *Chief Risk function* (SMF4);~~
- ~~(2) *Head of Internal Audit function* (SMF5);~~
- ~~(2A) *Head of Key Business Area function* (SMF6);~~
- ~~(3) *Chair of Risk Committee function* (SMF10);~~
- ~~(4) *Chair of Audit Committee function* (SMF11);~~
- ~~(5) *Chair of Remuneration Committee function* (SMF12);~~
- ~~(6) *Senior Independent Director function* (SMF14);~~
- ~~(7) *Head of Third Country Branch function* (SMF19);~~

~~(8) With-Profits Actuary function (SMF20a);~~

~~(9) Chief Underwriting Officer function (SMF23); and~~

~~(10) Chief Operations function (SMF24); [Deleted]~~

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

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

(2) where the *UK ISPV* 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* 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* must ensure that it appoints a *person* to fill that vacancy as soon as possible.

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

...