Bank of England PRA

PRA Subject Expert Group on Captives
3 November 2025

Location: PRA Offices and MS Teams

Agenda

Item 1: Welcome and introduction to delegates

Item 2: Scope of Captives

Item 3: Employee Benefits

Item 4: Policy Duration and Structure

Item 5: Treatment

Summary of the meeting

- The Group discussed commercial and regulatory considerations of including employee benefits (EB) within the scope of the UK captive regime.
- **Confidentiality**: Participants were reminded that all meetings must be compliant with competition law and treated as confidential.

Key points

- **Scope of Captives:** Currently the proposal was for life & pension products to be excluded from the scope of any captive regime, however the HMT consultation response recognised that certain products such as group life may not have the same long-term liabilities and stakeholders to the response were keen for this to be considered alongside other employee benefits products. EB in this instance could include medical, accident, short-term life, income protection, death-in-service programmes, and disability coverage.

- **Employee Benefits Market:** The SEG discussed the trend for firms, particularly multinational corporations, to demonstrate an increasing interest in utilising captives to manage EB. It was suggested that some organisations allocate greater resources to EB than to non-life insurance, enhancing the commercial appeal of captives. Captives are recognised as tools for facilitating diversification, cost efficiency, employee mobility, and standardisation of benefits across different jurisdictions. Although challenges persist, including administrative complexity, limitations in data access, and the requirement for fronting partners, the trend of incorporating EB into captives continues to gain momentum.

- **International Practices:** SEG attendees noted that multinational firms commonly use captives for EB to support cross-border employee deployment and benefit standardisation. Fronting arrangements dominate due to licensing and administrative burdens across jurisdictions. Protected Cell Companies (PCCs) are often used for simpler EB structures.
- **Reinsurance structures:** The SEG discussed the fact that EB is typically written on a reinsurance basis, not direct due to regulatory and operational complexities. Captives reinsure wholesale risk, while local insurers handle retail risk and claims. Reinsurance arrangements offer flexibility, but direct writing poses more challenges, especially for long-term policies.
- **Consumer protection:** The SEG noted that EB programmes are typically fronted by regulated local insurers.
- **Data privacy rules:** The SEG discussed the fact that EB involves sensitive medical and personal data. Firms must anonymise data and avoid identifying individuals in management information. Compliance with GDPR and local privacy laws is essential.
- **Length & Structure of Policy:** The SEG discussed the duration of typical employee benefits policies and the length of the ‘tail’ noting this could vary depending on the policy terms and whether the contract was written on a direct or reinsurance basis.
- **Treatment:** The SEG noted that regulatory treatment and market practices for employee benefits (EB) within captives varies by jurisdiction. Use of Protected Cell Companies (PCCs) for simpler arrangements and such products were already marketed by certain brokerage firms.

- **UK market position and competitive advantage:** The SEG discussed the fact that, in theory, the UK's expertise and established infrastructure in EB arrangements give it a strong market position.