



Insurtech UK

Our mission is to transform the insurance industry through the use of technology,
and make the UK the global leader for insurance innovation

FCA CP26/29: A TAILORED REGIME FOR CAPTIVE INSURANCE

14th October 2026

SUMMARY

Insurtech UK welcomes the FCA's proposals for a tailored captive insurance regime. We support a framework that combines appropriate safeguards with clear eligibility criteria, streamlined authorisation and proportionate ongoing requirements.

In our [February 2025 response](#) to HM Treasury, we supported making captives simpler and swifter to establish, with capital, governance and reporting requirements proportionate to their risk profile. We also highlighted their potential to support innovation in emerging risks, including AI and climate-related risks, and approaches such as parametric insurance.

These remain important considerations as the regime develops. The proposed framework should enable eligible businesses to manage their risks effectively while strengthening the UK's insurance innovation ecosystem.

Our principal recommendations are:

- Provide practical guidance on eligibility, permitted activities and the distinction between direct insurance and reinsurance.
- Deliver a coordinated FCA and PRA authorisation process, with clear application requirements and accessible pre-application engagement.
- Maintain proportionate governance, supervision and fees without weakening accountability.
- Publish a clear timetable for subsequent work on protected cell companies.

- Assess whether the regime supports effective risk management and innovation, alongside authorisation numbers and processing times.

Insurtech UK's interest extends beyond firms that may establish a captive themselves. Our previous policy submissions have highlighted technology-led approaches to emerging risks, including battery warranties, cyber cover and climate-risk modelling. Member Capitawise reports working with captive owners and managers in several US domiciles and Guernsey, providing actuarial, capital and claims intelligence. Its experience illustrates how insurtechs can support application readiness, governance and ongoing oversight.

CONSULTATION QUESTIONS

Definition, scope and authorisation process for captive insurers

Q1. *Do you agree with the proposed scope of permitted activities and restrictions? Are there any categories we have not considered?*

We support the principle that regulatory requirements should reflect the risks of the business permitted within the regime. We recognise that the proposed framework covers single-parent captives and restricts direct exposure to consumers, eligible smaller businesses and policy stakeholders. These boundaries are central to the justification for lighter conduct requirements.

For insurtechs, clarity about those boundaries is particularly important. Our earlier response identified potential opportunities for scaling businesses, subject to the final design of the regime. The proposed framework should not, however, be presented as a general alternative to conventional insurer authorisation for firms seeking to underwrite unrelated customers' risks.

We recommend practical guidance explaining eligible group risks, material non-group undertakings and the distinction between direct insurance and reinsurance arrangements. Worked examples would help innovative firms assess whether a captive structure is suitable before incurring application costs.

Within the permitted scope, we encourage a technology-neutral approach that allows firms to use innovative risk assessment, pricing and claims-management tools while maintaining effective oversight.

Q2. *We intend to follow the authorisation process as detailed in the PRA's CP11/26 (Chapter 4) and welcome any feedback you may have on this.*

We welcome the proposed commitment to determine complete, sufficiently high-quality applications within four to six weeks. This responds to our previous call for streamlined applications and a simpler route to establishing UK captives. Our earlier consultation responses recorded anonymised member experience of uncertainty and complexity in conventional insurer authorisation and regulatory engagement. Although not captive-specific, this historical evidence reinforces the importance of clear eligibility guidance, accessible pre-application support and coordinated FCA/PRA engagement.

Drawing on member input, we recommend a standard, structured application and feasibility template to help applicants provide consistent evidence and identify gaps before submission. Guidance should clarify how technology-enabled analysis can support an application, provided methodologies are explainable, inputs are traceable and outputs receive appropriate professional review. Technology should support, rather than replace, professional judgement.

To make this effective, we recommend:

- A clear, jointly coordinated FCA and PRA application process.
- Published guidance on the evidence required for a complete application.
- Accessible pre-application engagement for prospective applicants.
- Prompt identification of missing information, with clear explanations of any resulting delays.

Application requirements should remain proportionate to the captive's business model, scale and complexity, including where technology or outsourced services support its operations.

Application of FCA rules, governance, supervision and fees

Q3. *Do you agree with our proposals on which of our handbook rules should/should not apply to captive insurers, and the additional rules/guidance we have proposed? If not, please tell us which of our proposals you do not agree with and why.*

We support tailoring the Handbook to the captive business model, including disapplying requirements designed for retail insurance where the proposed scope restrictions make them inappropriate. We also support retaining relevant high-level standards, systems and controls, risk management and outsourcing requirements.

We recommend a consolidated guide to the applicable requirements. This would help firms understand their obligations without having to reconstruct the framework across multiple sourcebooks.

Where a conventional insurer fronts business subsequently reinsured by a captive, guidance should clearly distinguish the responsibilities of each firm. Proportionality for the captive should not create uncertainty about protections applicable to the underlying policyholder.

Q4. *Do you agree with our proposals on governance and accountability of captive insurers? If not, please tell us which aspect of our proposals you do not agree with and why.*

We support proportionate governance with clear individual and board accountability. The proposed approach avoids routinely imposing additional FCA senior management functions, while retaining approval requirements for relevant additional executive directors.

Outsourcing should not dilute responsibility. Where a captive manager provides operational services or an individual holding a senior management function, expectations should be clear on conflicts of interest, oversight, continuity and access to records. We encourage guidance that allows effective use of specialist expertise without unnecessarily duplicating governance structures.

Guidance should recognise proportionate use of regularly refreshed monitoring tools to support board oversight of captive managers. Relevant indicators could include reserve adequacy, capital headroom and regulatory deadlines. Captives should also retain access to core records in a structured, exportable format, supporting continuity if their captive manager changes.

Q5. *Do you agree with our proposed approach to supervise captive insurers, including to apply SUP 15 notifications instead of annual reporting? If you do not, please explain which aspect of our proposal you do not agree with, and why.*

We support the proposed reliance on SUP 15 notifications rather than routine FCA reporting under SUP 16, recognising that separate PRA prudential reporting requirements would remain. This is consistent with our previous request to reduce unnecessary administrative burdens. To make notification-based supervision effective, guidance should encourage proportionate internal early-warning indicators so that material deterioration is identified between formal reviews and relevant notifications can be made promptly. A short, structured notification format could also improve consistency.

Clear guidance on material events and notification expectations would support consistent compliance. Any additional reporting introduced following implementation should be **evidence-based, proportionate and coordinated** between the regulators.

Q6. *Do you have any comments on our proposal to charge a Category 4 fee (£2,820) for applications to undertake captive insurance activity?*

We support the proposed £2,820 FCA application fee as a proportionate starting approach.

Prospective applicants should have transparent information on the combined FCA and PRA charges, recognising that the FCA application fee is only one element of the regulatory and operational cost of establishing a captive.

Q7. *Do you agree with our proposal to add captive insurers to the A.3 fee block?*

We support including captive insurers in the A.3 fee block, alongside the proposed tailored fee arrangements.

We recommend periodic review to ensure that the treatment of captives remains proportionate to their business model and the supervisory effort required.

Q8. *Do you have any comments on our proposal to charge captive insurers a flat annual periodic fee of £600?*

We support the proposed £600 flat annual FCA fee as a proportionate starting approach.

The FCA should provide transparent information on how this charge sits alongside PRA fees and review whether the fee remains proportionate as the market develops.

Implementation and future development

We welcome the intention to consult subsequently on protected cell companies once the necessary legislation is in place. These structures could widen access to captive insurance. We encourage a clear timetable for that next phase and engagement with innovative businesses on potential applications and safeguards.

The regime's success should be assessed not only through authorisation numbers and processing times, but also through whether eligible businesses can use it effectively to manage emerging risks and support innovation.

Insurtech UK would welcome continued engagement with the FCA, PRA and HM Treasury as the framework is finalised.

For more information about Insurtech UK

As the dedicated trade association for insurtechs in the UK, our members comprise 150+ insurtechs and 40+ partners ranging from insurance companies to professional services firms supporting the sector.

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