



What's Next for the **UK Captive** **Insurance Regime?**

Artex



The UK is moving toward a dedicated regulatory regime for captive insurers, aiming to expand risk-management options for businesses. Artex EMEA's Paul Eaton, CEO and Martin Le Pelley, Head of Risk and Compliance, explain how the framework promises greater flexibility, particularly on harder-to-place risks.

When HM Treasury (HMT) announced in July last year that, following consultation, the government would proceed with the introduction of a UK regulatory framework for captives¹, the decision was welcomed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

In a joint statement², the regulatory bodies announced a further consultation in summer 2026, with a view to 'developing a proportionate authorisation and regulatory regime for captives, reflecting the lower risk they pose'.

HMT's consultation referenced the need to 'enhance the international competitiveness of the UK insurance sector, support economic growth and provide businesses with a greater range of risk-management options'.

Particularly welcome, said the PRA and FCA, was HMT's commitment to legislation enabling captives to be established within protected cell companies (PCCs), providing a simpler route to ownership and widening access for medium-sized companies to captive insurance.

The PRA is leading the development of a UK captive regulatory regime and has established a Subject Expert Group (SEG) to advise on creating a pragmatic and competitive framework.

¹[Consultation Outcome: Captive Insurance](#), GOV.UK, 15 Jul 2025.

²[Joint Statement by the PRA and FCA on HM Treasury's Captive Insurance Consultation Response](#), Bank of England, 15 Jul 2025.



■ CURRENT CAPTIVE OPTIONS

While the UK is home to leading global (re)insurance markets in London and Lloyd's, some UK businesses may still experience challenges in finding coverage at a level and price that suits their needs. Access to a captive insurance subsidiary could help them to retain, manage and finance these harder-to-insure risks.

However, without specific regulations allowing for the licensing and setup of captive insurers in the UK, companies have historically looked to other jurisdictions that have enacted captive insurance and cell company legislation.

■ TYPICAL CAPTIVE BENEFITS

By retaining risks in a captive, companies can not only price them more effectively and better control their insurance costs but also achieve more stability of costs across insurance cycles.

Captives offer the ability to cover risks that are either too expensive, difficult to place or are uninsurable in the commercial market. They also enable the creation of tailored policy wordings and flexible coverage options that can be adjusted as per the parent company's risk profile.

This enables companies to align their insurance-buying strategy with their overall business objectives and risk appetite. Additionally, captives drive more efficient use of capital compared to traditional risk transfer options, offering potential benefits for balance sheet protection and earnings predictability.

Captives also help to raise the profile of the risk management function, driving a stronger risk management culture, with greater alignment between operational behaviour and insurance outcomes.



■ ADVANTAGES FOR CAPTIVE OWNERS

But given that companies can already access captive solutions in other jurisdictions, why is there a need for a UK captive framework?

Whilst the captive concept is mature, there is no doubt that some UK-based organisations have historically not been interested, for a variety of reasons, in establishing a captive entity in one of the many popular offshore captive locations. A UK regime reinforces the legitimacy of a captive entity as a bona fide and versatile risk management tool and makes captives mainstream. This will help encourage growth and open the captive market to more customers.

One of the most obvious benefits is having a captive subsidiary domiciled in the same jurisdiction as the parent company, with proximity to the owner's domestic (re)insurance market.

This reduces additional expenses and travel time when attending captive board meetings. It also reduces the complexity of tax and accounting arrangements, while removing any perceived uncertainty or complications around offshore tax regimes.

Furthermore, domiciling in the UK makes it easier for the captive to share some parent company functions, such as finance and to access UK-based service providers and (re)insurance capacity.

Locating a captive in the owner's home jurisdiction also means a single regulatory environment for captive and parent, and could involve a more cost-efficient group audit process.

One considerable benefit for a UK captive insurance regime is freedom from the European Union's Solvency II framework. The UK is well-placed to implement a more proportionate post-Brexit solvency regime for captives, although the EU is currently reconsidering the treatment of captives under Solvency II.

EXPANDING THE (RE)INSURANCE OFFERING

For service providers, a UK captive market could increase demand for services, as clients increasingly consider using a captive to underwrite a part of their insurance programme and also consider transferring uninsured balance sheet exposures into a captive.

Brokers could position themselves to provide a broader range of services to existing (re)insurance clients, including analytics, while carriers will be needed to provide fronting and reinsurance to captives.

While captive managers typically offer turnkey solutions to clients, they could evolve their offerings for a UK regime, providing a range of services that can be bundled for clients according to their particular needs.

For insurance managers and brokers, one advantage is that captive relationships tend to be 'stickier' and longer-term than traditional risk transfer arrangements. For carriers, there is a similar attraction of longer-term relationships with captive programmes, as well as greater risk management alignment and the likelihood of lower loss frequency, more stable pricing and lower expense ratios.

Furthermore, a UK captive insurance regime will help to raise awareness of captives and cell companies among businesses unfamiliar with the concept, while giving greater legitimacy to the notion of captives as simply another element of the mainstream (re)insurance market offering.

LOOKING AHEAD

As the UK moves closer to implementing a dedicated captive regime, the real opportunity lies not just in understanding the policy details, but in assessing what this shift could mean for your organisation's risk strategy. Businesses that engage early, whether by exploring feasibility, contributing to the PRA's consultation process or assessing how a UK-domiciled captive could complement existing structures, will be best positioned to take advantage of a more flexible, competitive and locally aligned framework.

The direction of travel is clear: captives are becoming a mainstream, strategically credible tool within the UK. The question now is whether organisations are prepared to seize the moment and shape a captive solution that strengthens resilience, enhances control and unlocks long-term value.

In its meetings with the SEG², the PRA has indicated that its initial focus will be on pure captives and PCCs. However, the UK's PCC legislation is currently limited in scope, allowing only certain types of fully collateralised insurance-linked security transactions. Therefore, expanding PCC legislation will be a priority if cell companies are to become a key part of ensuring a flexible, accessible and competitive UK captive market.



WHAT CAN YOU EXPECT TO SEE NEXT?

The PRA is planning to release a consultation paper in June this year on drafting a UK regulatory framework for captives. As part of this process, it is encouraging businesses to engage with them to gauge demand for captive solutions and ensure the framework is proportionate and fit for purpose.

We believe this is a great opportunity as the more stakeholders engage with the process, the greater the potential alignment between a UK captive regime and the needs of the (re)insurance industry and its clients.

The insurance management community, including Artex, will be keen to support the new regime when it launches and you should expect to find available professional service providers with expert knowledge of captives who are able to guide and support you through a new captive application.

For organisations that already have a captive and are interested in moving this to the UK, now is a good time to start discussions with service providers and the PRA. Alternatively, if a captive is on your agenda for consideration, now is a good time to conduct some feasibility analysis to start the process, including consideration of domicile, including the UK. Artex is well positioned to help you with either of these scenarios.



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