



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

CAPTIVE INSURANCE

February 2025

Insurtech UK welcomes the government's consideration of a new approach for the regulation of captive insurance companies in the UK.

Captive insurance companies can make a positive contribution allowing businesses to more effectively manage their risks. This is particularly pertinent in areas where risks are more predictable, or for industries that may be facing high insurance costs or limited commercial options.

Making it simpler and swifter to establish new captives in the UK positively supports the government's agenda on driving growth, bringing benefits at both a business and wider economy level too, and on competitiveness with the potential for more premiums to be retained domestically.

A new framework for captive insurers should:

- make captives easier to establish in the UK with streamlined applications, and capital requirements more proportionate to the risk profile of the companies and risk covered
- reduce administrative burdens and associated costs making captives more financially viable through appropriate governance and reporting

Captive insurance companies have the potential to play an important role in encouraging innovation.

Captive insurers may be well-placed to cover new and emerging business and technological risks - if they have a better understanding of AI-related risks or specific climate-related risks they may be able to price this more competitively than traditional insurance firms.

A more flexible regime may also enable new risk financing solutions such as parametric insurance, or blockchain-based claims processing. It could also allow testing and piloting of new insurance solutions before they are scaled within the commercial market.

Depending on the final design and details of a new captive insurer regime in the UK, this could help the development of scaling insurtechs where a captive insurer model may help support their innovations, reduce costs, and gain a competitive edge through:

- underwriting their own policies in a controlled environment, especially where access to capacity from traditional insurers may be limited
- direct control over which risks to cover, how to price risk and claims handling
- retaining the portion of premiums otherwise passed to the traditional insurer underwriting their products
- building their own claims data and actuarial models without solely relying on partnerships, and establish a track record for future reinsurance negotiations

Insurtech UK looks forward to engaging with HM Treasury, the Prudential Regulatory Authority, and the Financial Conduct Authority on next steps towards a new regime for captive insurance companies in the UK.

For more information about Insurtech UK:

As the dedicated trade association for insurtechs in the UK, our members comprise 150+ insurtechs and 30+ partners ranging from insurance companies to professional services firms supporting the sector.

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