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PRA Publishes Policy Statement on Insurance Third-Country Branches: Policy Implementation and Other Updates

Executive Summary

- **What's new:** On 21 May 2026, the PRA published a policy statement confirming, with minor amendments, the reforms to the third-country branch framework proposed in the PRA's September 2025 consultation paper.
- **Why it matters:** The subsidiarisation threshold increase is now in effect and is expected to allow third-country branches approaching the former threshold to avoid subsidiarisation costs. The broader package further streamlines the regulatory framework for third-country branches, supporting the PRA's secondary competitiveness and growth objective.
- **What to do next:** Third-country branch undertakings will want to assess the immediate implications of the increased subsidiarisation threshold. Third-country branches currently subject to the reporting modifications by consent, which will be revoked on 31 December 2026, should prepare to comply with the new Rulebook-based reporting requirements. The largest third-country branches that will transition to full reporting should plan for the 31 December 2027 implementation date.

Background

On 21 May 2026, the Prudential Regulation Authority (PRA) published [Policy Statement PS13/16](#) ("Insurance Third-Country Branches: Policy Implementation and Other Updates"), along with several appendices, finalising reforms to the UK regulatory framework for insurance third-country branches. The policy statement largely implements the proposals set out in the PRA's Consultation Paper CP20/25 ("Insurance Third-Country Branches: Policy Implementation and Other Updates"), published in September 2025, with one significant change — the extension of the discontinuation of quarterly reporting to all third-country branches.

For context, third-country branches operate as an extension of an overseas authorised entity, rather than as a stand-alone capitalised entity incorporated in the UK. Therefore, the PRA seeks to apply a proportionate approach to the authorisation and supervision of third-country branches, relying on the "home supervisor" in certain respects, provided that certain conditions are satisfied (such as the home jurisdiction prudential and supervisory regime being "broadly equivalent").

These latest reforms reflect a continuation of the PRA's aim to (a) support the UK's attractiveness to international insurers wishing to operate via third-country branches and (b) maintain robust regulatory standards. It is the PRA's view that, subject to appropriate safeguards, the ability of financial services firms to establish branches in

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other countries is an important component of an open world economy, which in turn benefits the UK economy and furthers the PRA's secondary competitiveness and growth objective.

In particular, since 31 December 2024, third-country branches have no longer been required to account for a branch solvency capital requirement (SCR) or branch minimum capital requirement (MCR); the sole requirement in this regard is that branches show that the third-country firm maintains "adequate worldwide resources."

Although these current reforms are likely less significant than the revocation of the branch SCR and the MCR requirement, we expect that market participants will nevertheless welcome the updates. The policy statement confirms the implementation of a discrete set of proposals to address newly identified inconsistencies, further streamline the policy framework and clarify expectations for third-country branches, along with increasing the subsidiarisation threshold.

We summarize the reforms below.

Scope

The policy statement is relevant to all third-country branch undertakings (as defined in the PRA Rulebook) and any insurance or reinsurance undertakings not headquartered in the UK or Gibraltar and seeking to operate as a branch in the UK. The changes do not apply to Swiss general insurers, (which are subject to different requirements).

The PRA plans to make future amendments to the Third-Country Branches and Reporting Parts of the PRA Rulebook. The regulator also has made or will make updates to certain PRA supervisory statements and statements of policy, including SoP7/24 ("The Prudential Regulation Authority's Approach to Insurance Branch Authorisation and Supervision"), effective 21 May 2026.

Subsidiarisation Threshold

The PRA confirmed the increase in the subsidiarisation threshold from £500 million to £600 million, assessed by reference to insurance liabilities covered by the Financial Services Compensation Scheme (FSCS). This means that a third-country branch should have an extra £100 million of headroom to continue operating as a branch, rather than needing to establish a UK subsidiary at an earlier stage.

For the purpose of assessing the threshold, FSCS-protected liabilities represent the total estimated gross liabilities arising under protected insurance contracts held by eligible claimants. "Eligible claimants" is defined broadly to include most claimants other than, for example, collective investment schemes, pension funds and large companies. This figure (i) is determined without regard to any caps or limits on FSCS compensation (such as the 90% ceiling applicable to certain categories of protected contract), (ii) does not take

into account potential recoveries that the FSCS may obtain from the defaulting insurer's estate and (iii) is assessed independently of the insurer's assets or any sums recoverable under reinsurance arrangements.

This is the first increase since the introduction of the threshold in 2018 and is intended to address the issue known as prudential drag, a phenomenon whereby inflation has caused some third-country branches to approach the threshold without substantial real growth. The increase mitigates this "drag" while ensuring the potential cost to the FSCS of a single third-country branch failure would not exceed the maximum annual FSCS levy cap for general insurance.

The PRA noted that it expects to revisit its approach to subsidiarisation for insurance branches in due course, which may involve further increases or automatic indexation (thereby capturing inflation). As part of any future review, the PRA will consider whether the threshold's alignment to the FSCS levy cap for general insurance remains appropriate, noting that considerations may differ in the insurance and banking sectors because insurance claims typically crystallise over several years following an insurer failure. The PRA will also consider whether reinsurance should be taken into account, though the current approach of using gross liabilities ensures consistency between firms as reinsurance arrangements vary.

Importantly, the PRA reiterated that the subsidiarisation threshold is not a "hard threshold" and that, on occasion, the PRA has allowed a firm to temporarily exceed the threshold where the firm agreed to a glide path to reduce its liabilities to fall within the threshold. The PRA will assess each case on its merits and will consider whether the expectation of subsidiarisation remains proportionate where third-country branches can put in place sufficient mitigation (such as business transfers, limitations on new business or a demonstrable runoff profile for FSCS business). For third-country branches operating near the threshold, the combination of the increased headroom and this express flexibility should provide a better outcome going forward and facilitate more long-term planning certainty.

Absorption of Modifications by Consent (MbC) Into the PRA Rulebook

The policy statement confirms the absorption of the two outstanding MbCs into permanent PRA rules, eliminating the need for periodic renewals and the administrative burden associated with maintaining and updating individual firm directions.

Reporting MbC

With the exception of pure reinsurance branches, under the final rules, only third-country branches with at least £1 billion in gross written premiums or £2 billion in branch provisions must submit the full reporting suite applicable to third-country branch undertakings. In practice, the PRA notes that only two or

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three of the largest third-country branches will need to transition to full reporting. Smaller third-country branches that fall below the thresholds of £1 billion in gross written premiums and £2 billion in branch provisions can provide only a subset of the reporting templates.

The PRA clarified that the quantitative thresholds were determined based on outlier analysis for the third-country branch population, and that increasing the thresholds substantially to accommodate the few outliers would not be prudent. The PRA further explained that the use of firm categories (as opposed to quantitative thresholds) would introduce unlawful supervisory subjectivity into PRA rules.

The PRA noted that the reporting MbC will be expressly revoked on 31 December 2026. The regulator will issue revocation notices to affected firms by way of an update to the PRA website.

Pure Reinsurance Branch MbC

The PRA confirmed that the prudent person principle under the Investments Part of the PRA Rulebook will no longer apply to pure reinsurance branches, permanently embedding the relief currently provided through the pure reinsurance branch MbC. The PRA's rationale is that policyholders of pure reinsurance branches are insurers, which are considered more sophisticated than retail policyholders and to which FSCS protection does not apply. Cedants are also subject to PRA expectations for managing credit risk and counterparty exposure. For firms that have consented to the MbC, no action will be needed — the MbC and relevant directions will automatically fall away on 31 December 2026.

Reporting Amendments

The policy statement confirms several adjustments to reporting requirements for third-country branches, as outlined below. In a notable departure from the preceding consultation paper, the PRA has extended the discontinuation of quarterly reporting to all third-country branches, not just smaller third-country branches as originally proposed. It has also delayed the transition to full reporting for the largest third-country branches by one year.

- **Discontinuation of quarterly reporting for all third-country branches:** In CP20/25, the PRA proposed to discontinue quarterly reporting only for smaller third-country branches. Following further analysis and the estimated costs of transitioning to full reporting, the PRA concluded that quarterly reporting from larger third-country branches delivers limited additional supervisory value relative to the costs incurred. This is because practices for quarterly recalculation of insurance reserves differ across the industry, and there are divergences in data quality. The PRA therefore amended the final policy to discontinue quarterly reporting

for all third-country branches. We consider this a welcomed concession that reflects the PRA's responsiveness to industry feedback on proportionality.

- **Delayed transition to full reporting:** The PRA recognised the potential challenges with the originally proposed timeline and has delayed implementation of the transition to full reporting for affected third-country branches (meaning those exceeding the quantitative thresholds) by one year, until 31 December 2027.
- **Reinstatement of annual templates:** The PRA confirmed the reinstatement of two annual reporting templates — (i) the non-life insurance claims (IR.19.01.01) and (ii) the development of the distribution of the claims incurred (IR.20.01.01) — to rectify a data gap arising from legacy oversights in supervisory statement SS44/15. The PRA reiterated the prudential benefits of this data for a holistic view of the UK insurance market for claims and reserving, which is important to help the PRA to identify emerging risks. The PRA permits firms to apply for a waiver where they consider their circumstances satisfy the statutory criteria (for example, where the costs are disproportionate or where a branch is fully reinsured to a UK parent). Firms may find discussions with their supervisors on this topic to be helpful.

Own Risk and Solvency Assessment (ORSA) and Other Guidance Updates

The PRA clarified expectations for third-country branch ORSAs and the triennial resolution report. Specifically:

- Cross-referencing between the ORSA and resolution report is considered acceptable.
- When a third-country branch undertaking ORSA is submitted, the additional content would usually be in the form of a branch annex.
- The ORSA should include a high-level summary of the branch undertaking's solvency position, including a rationale for capital buffers and an overview of stress-testing results.

Pure reinsurance branches are not expected to calculate available assets for the resolution report. The PRA also confirmed that these changes do not necessitate an off-cycle resolution report.

Additionally, the PRA updated the MbC for third-country insurance branches that solely write non-UK risks, granting relief from the resolution report requirement (Article 49 of the Reporting Part of the PRA Rulebook), on the basis that the report would not meet its purpose of UK policyholder protection for third-country branches that do not underwrite UK risks. This is a sensible recognition that the supervisory tool kit should reflect the actual risk profile of the branch.

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European Insurance and Occupational Pensions Authority (EIOPA) Branch Guidelines

The PRA confirmed that the PRA Rulebook (the third-country branches section) will incorporate Guidelines 6, 17 and 19 from the EIOPA Branch Guidelines, with minor adjustments for consistency. The remaining EIOPA Branch Guidelines will be disappplied, with the reference to them deleted from Statement of Policy 1/19 (“Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK’s withdrawal from the EU”) (SoP1/19). The PRA will not apply transitional arrangements, as it does not expect the minor changes to materially affect the majority of third-country branches, and has confirmed that the proposals do not change the substance and intent of the EIOPA Branch Guidelines.

Implications for Third-Country (Re)insurers

The reforms have the following key practical implications:

- **Subsidiarisation headroom:** Third-country branches approaching the former £500 million threshold benefit immediately from the increased headroom. The combination of the higher threshold, the PRA’s express willingness to permit temporary exceedances and the regulator’s plan to revisit the threshold in the future all represent a more permissive operating environment for third-country branches with UK growth ambitions.
- **Reporting readiness:** The reporting MbC will be revoked on 31 December 2026, and third-country branches should prepare to comply with the new PRA Rulebook-based requirements from that date. The two or three largest third-country branches exceeding the quantitative thresholds should plan for the transition to full reporting by 31 December 2027, noting the reduced burden following the discontinuation of quarterly reporting for all third-country branches. Third-country branches affected by the reinstatement of the two annual templates will want to ensure their systems can produce the required data, and those for whom costs are disproportionate (including third-country branches fully reinsured to UK parents or in run-off) may wish to explore seeking a waiver.

- **Non-UK risk branches:** Some third-country branches operate in the UK as a platform for writing risks located outside the UK, rather than (or in addition to) UK risks. These third-country branches now benefit from relief from the triennial resolution report requirement, which the PRA accepts does not serve its policyholder protection purpose in circumstances where no UK risks are underwritten. Affected third-country branches that have not already been contacted by their supervisors should reach out to confirm their directions have been updated.

Implementation

The final rules have staggered implementation dates:

- **21 May 2026 (immediate):** The increase of the subsidiarisation threshold from £500 million to £600 million.
 - **31 December 2026:** All other changes, including:
 - The absorption of both MbCs into the PRA Rulebook.
 - The reinstatement of the two annual reporting templates.
 - The discontinuation of quarterly reporting for all third-country branches.
 - The restatement and disapplication of EIOPA Branch Guidelines.
- The pure reinsurance branch MbC directions will automatically cease to apply (no firm action required). The PRA will expressly revoke the reporting MbC.
- **1 January 2027:** The minor change in SoP1/19 regarding the deletion of the reference to the Branch Guidelines.
 - **31 December 2027:** Third-country branches that transition from limited to full reporting as a result of exceeding the quantitative thresholds will need to submit full reporting related to each branch’s full financial year ending on or after this date.