

UK Insurer Regulatory Authorisation Guide

2026

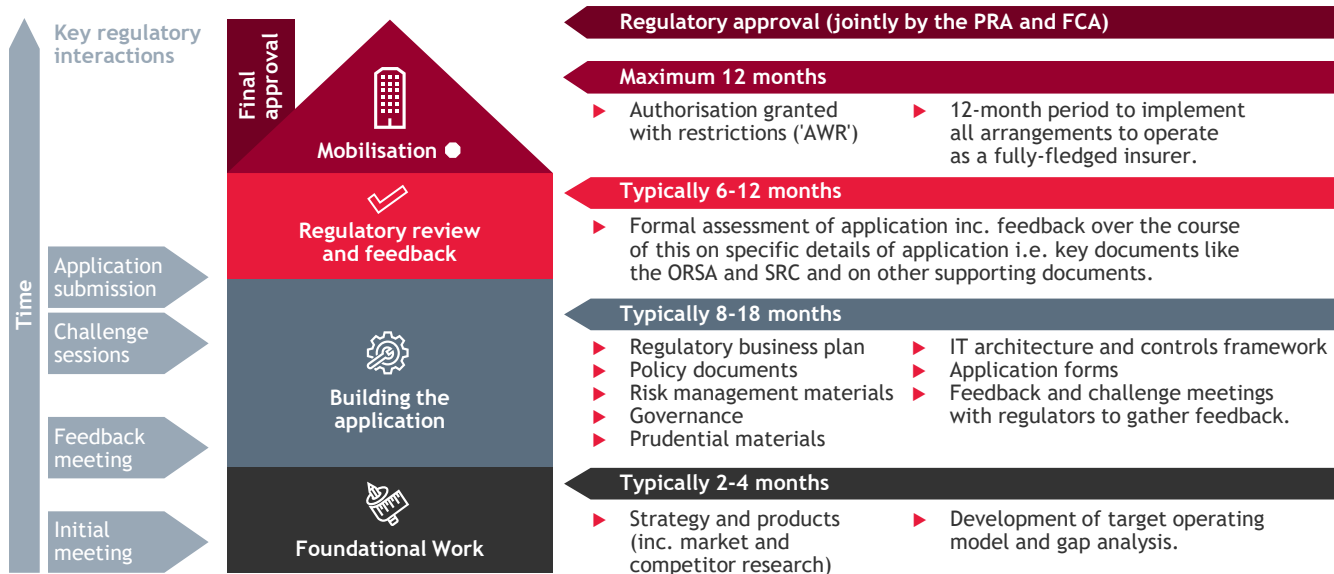
Introduction

Thinking of setting up an insurer in the UK? If so, you are likely aware that applying to the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') (together, 'the regulators') for this licence type can be a complex and lengthy process. The prospect of starting this application journey can be daunting; where does one begin, what exactly is involved, what does 'good' look like and what pathways are available to applicants?

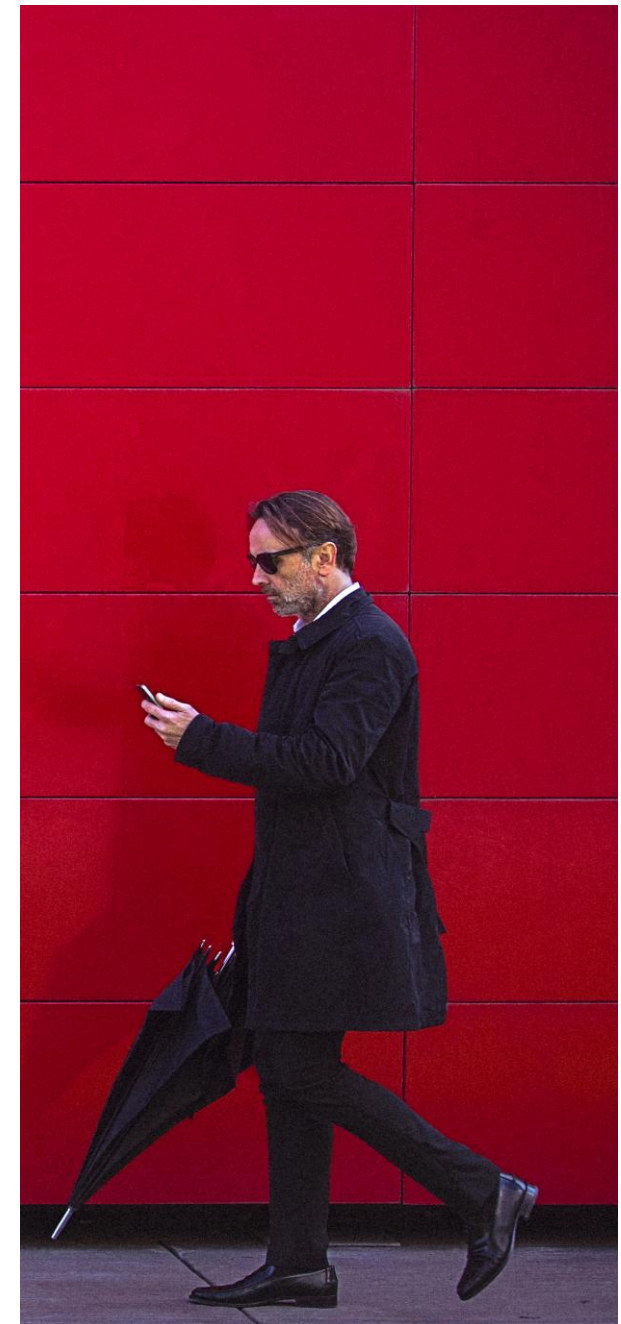
This guide outlines:

- ▶ The PRA's expectations and approach to the authorisations process including stages and expected timelines
- ▶ The common challenges and pitfalls (and how to avoid them) in these projects
- ▶ How BDO's Authorisations team can support you on your application journey.

The following graphic sets out the main steps of the application journey:



● If Mobilisation pathway taken



Application pathways

Before exploring the approach to preparing and submitting an application to become an insurer, it is worth noting that there are now two application pathways available as detailed below.

It is important to determine before meeting with the regulators for the first time, which of the two fit your plans best to seek agreement from the outset which route your application will follow.

Traditional Pathway

Full application submitted at the point of the applicant meeting all regulatory requirements including capital, sufficient recruitment of people; fund raising and implementation of IT systems.

This option is typically used by organisations **that already have established operations (typically overseas)** and therefore have existing IT infrastructure, as well as both the financial resources such as capital as well as human resources available to support the application build and subsequent business launch. Under this pathway there is **no mobilisation period**. While there is an expectation that overseas headquartered businesses establishing subsidiaries and branches in the UK will adopt the traditional pathway, **start-ups are welcome to use this route** should it be a better fit relative to their plans.

The focus of the remainder of this guide is based those establishing new insurers in the UK with no existing operations and therefore will likely prefer the Mobilisation pathway.

If you are an overseas based insurer or of financial services organisation looking to establish a UK subsidiary or a branch, please contact us and we would be happy to discuss our approach to supporting your type of business in more detail.

Mobilisation (NEW)

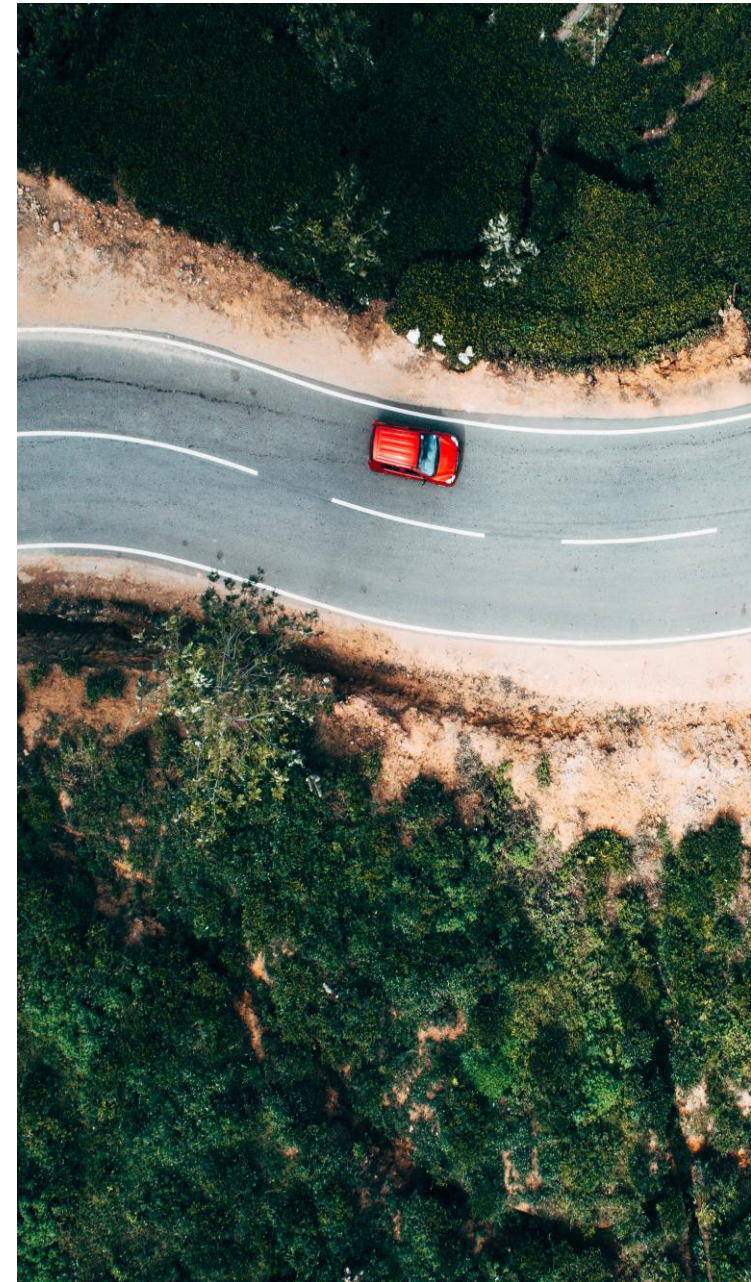
A more limited range of materials are prepared and submitted to the regulators with the remainder completed during a 'mobilisation' period of up to 12 months. The licence is initially granted with restrictions (known as authorisation with restriction or 'AWR') then upgraded to a full licence once the insurer is fully ready to go-live.

This is a recently introduced option to promote competition through making the process more accessible route for start-ups. The idea is that is to be achieved by making the upfront suite of materials required for submission less onerous and allowing a phased approach to operationalisation (e.g. hiring staff; implementing/testing of the IT infrastructure; and most of the capital raising to take place during mobilisation).

On entering AWR, an applicant is legally a regulated insurer and will appear on the UK Financial Services Register as such. It will however be limited to writing business of no more £50,000 in aggregate (on a net basis) with a maximum policy term of 2 years.

To reach AWR, an applicant must complete several application 'stages', each revolving around a formal meeting with the regulators based on the submission of a range of supporting materials. On average, **applicants should expect to spend 12-18 months preparing for the ultimate application submission**, which is followed by a regulatory review period of up to 12 months.

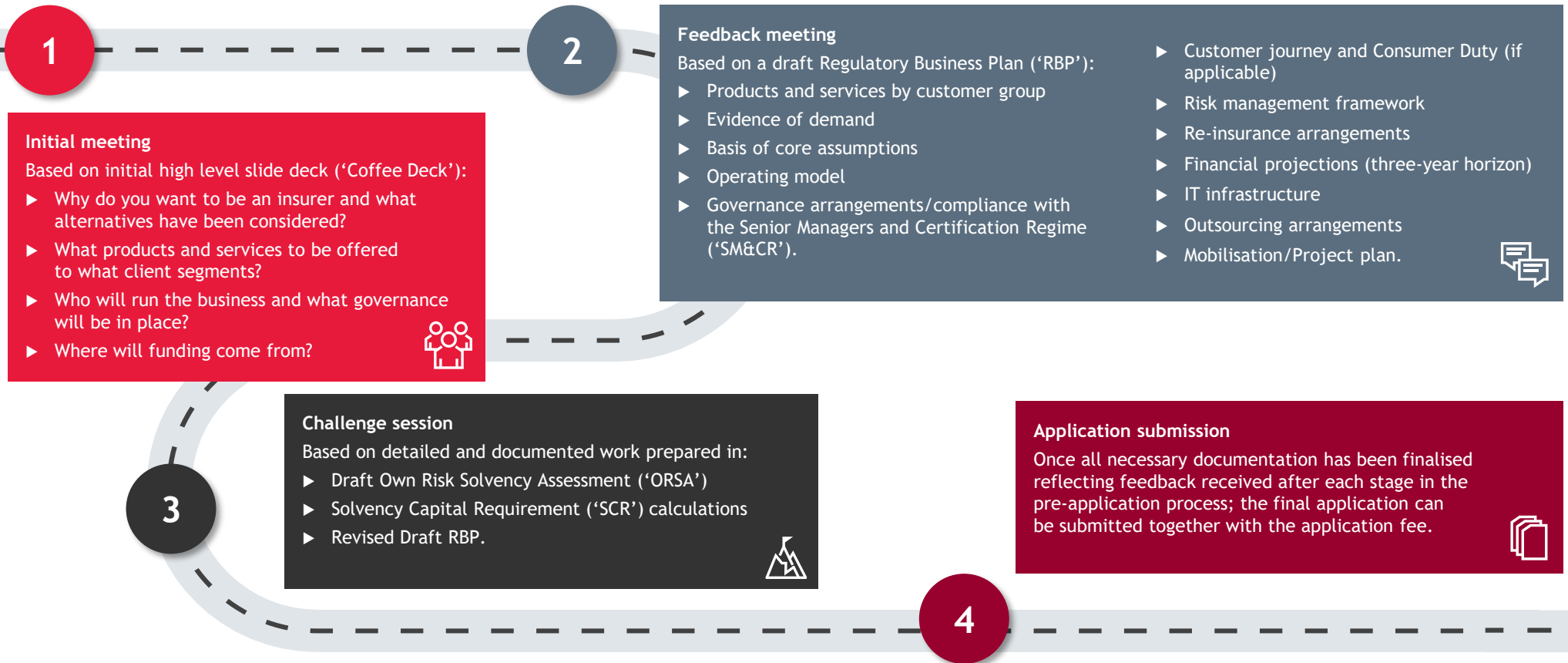
Regardless of pathway taken, the pre application process for either is broadly the same and involves several mandates stages to be negotiated before a full application can be submitted. An overview of this process is provided on the following page.



Pre-application

Regulatory focus at each stage

The pre-application period is carefully managed around several regulatory touchpoints involving submission and then feedback meetings (and written feedback) led by the PRA (and supported by the FCA). This has been put in place to encourage a constructive feedback loop to accompany the operational development of the proposition with a regulatory steer.



Foundational work

The PRA and FCA require several upfront conditions to be met by any prospective applicant before being willing to formally engage with them in an application process. These requirements include the applicant demonstrating:

- ▶ A clear opportunity in market having been identified (e.g. new/unexploited gap or inefficiencies/mispricing in incumbent offerings)
- ▶ A compelling and clear need to become an insurer to execute the proposed business plan. The expectation is that alternative licence types to deliver the proposed business model have already been explored and deemed incompatible
- ▶ Market research has been carried out to identify customer demand for the proposed products and services; including competitor analysis (e.g. product availability and pricing) and consideration of the addressable market size.
- ▶ An overview of the proposed governance and organisational structures and Board composition
- ▶ An understanding of the key risks the insurer will be exposed to
- ▶ Plausible financial projections for a three-year horizon. Initially this can be high level, but will be required to be increasingly granular and refined over the course of the application journey.

As part of foundational preparations for an application, it is generally prudent to design (at least at a high level) the Target Operating Model ('TOM'). This serves a dual purpose of both providing the foundation for a first iteration of a RBP as well as supporting the creation of a project plan/timeline which the regulators would also expect to see at this early stage.

For those already operating a financial services business (whether regulated or not), it is often useful to complete a Gap Analysis against the current state of operations relative to the proposed TOM. This generates clarity of the volume and nature of work ahead which in turn and shows what can be leveraged from current operations.

The TOM, together with the foundational work done, will ultimately support the development of a 'Coffee Deck'; a slide pack developed for the purpose of being provided to the regulators ahead of the initial meeting which, if successful, would signal the starting gun for formally commencing the application process.

The deck should provide a high-level outline of the work completed in the Foundation Stage. For example, products and services, target customer segments, evidence of demand, financial projections, planned TOM including governance and risk management arrangements. In addition, information such as how the insurer will be funded and a high-level project plan should be communicated.











Foundational
work



Building the application

Following the completion of the foundational work and having had the initial meeting with the regulators, the next stage of the journey is to build the documentation required to support the application itself. An overview of the core suite of documentation needed is set out below:

<p>Strategy (within RBP)</p> <ul style="list-style-type: none"> ▶ Competitor analysis ▶ Financial projections (incl. stress testing) ▶ Rationale for application. 	<p>Operating model (within RBP)</p> <ul style="list-style-type: none"> ▶ Operational Resilience ▶ Outsourcing arrangements ▶ People (numbers, hiring, locations) 	<p>Governance/SM&CR</p> <ul style="list-style-type: none"> ▶ Management responsibilities map ('MRM') ▶ Board and board committee TORs ▶ Senior manager statements of responsibility. 
<p>Risk management</p> <ul style="list-style-type: none"> ▶ Risk Management Framework ('RMF') ▶ Underwriting Policy ▶ Other crucial policies (i.e. reserving, claims management, investments etc.) 	<p>Prudential Assessments</p> <ul style="list-style-type: none"> ▶ ORSA ▶ SCR ▶ Capital Management Policy 	<p>Compliance arrangements</p> <ul style="list-style-type: none"> ▶ Compliance monitoring plan ▶ Policy materials (e.g. Compliance manual, conduct risk, training and competence, new product approval etc) 
<p>Mobilisation/implementation plan</p> <ul style="list-style-type: none"> ▶ Outline for inclusion in the final RBP capturing key dependencies and current expected timelines. 	<p>Application forms</p> <ul style="list-style-type: none"> ▶ Core Details Form for Insurers ▶ Supplement for Insurance Firms ▶ Solvency II Application ▶ Controller Forms ▶ Solvency II Approval Form ▶ Owners & Influencers Appendix ▶ IT Self Assessment/IT Controls Form ▶ Senior Management Form As ▶ Waivers Form (if required) 	

As shown above, there are several groups of documentation that cover a diverse range of rules and standards which the insurer must demonstrably be able to meet either at the point of being granted AWR or ahead of exiting from mobilisation. Having the right people involved in building and challenging these supporting materials is critical to the overall credibility and success of an application, whether through internal resources or in the form of third-party advisory support. The volume and complexity of the documentation required should not be underestimated.

Pre-application considerations



It is worth highlighting a couple of aspects in particular which will influence key early-stage decision making and preparation.

Senior recruitment

It is crucial to ensure that as the application develops, an appropriate mix of senior individuals is assembled to support the development of the RBP and supporting documents. The applicant will also need to demonstrate to the regulators that there is a credible Board and Senior Management team in place ready to steer the applicant at the point of being authorised. All Board members and the majority (if not all) of the Senior Management in the insurer will be required to be assessed by both the firm and the regulators as 'Fit and Proper' for their roles and in turn publicly registered to hold a Senior Management Function ('SMF').

In the pre-application stage, the regulators will expect a certain number of SMFs to be identified by the time the application is submitted (at a minimum often the CEO, CRO and/or CFO and a Non-Executive Chairperson). There is also an expectation that those identified have the suitable skills and experience for their proposed roles and it is likely that several proposed role holders will be interviewed by the PRA and FCA as part of the application assessment process.

Consumer duty

Unless planning to offer products exclusively to non-retail customers, applicants will also need to comply with FCA's **Consumer Duty** upon authorisation. The Duty sets out overarching standards, requirements and guidance relating to how firms are expected to consider the needs and objectives of their customers. This replaces the Principle for Treating Customers Fairly for retail consumers with a new Principle 12, 'a firm must act to deliver good outcomes for retail consumers', which imposes a higher and broader standard than previously. The Consumer Duty has four focus areas a) delivering and evidencing good customer outcomes, b) providing fair value, c) consumer understanding and d) ongoing provision of consumer support.

The FCA has been clear that it expects those preparing applications to become authorised to consider carefully how they will meet the objectives and requirements of the Duty. In particular, applicants should consider how they will achieve good customer outcomes wherever they are in the value chain (i.e. manufacturing products, distributing such as when selling a manufacturer's product, providing advice which will lead to a sale of a product created outside the firm, or providing a service such as administration).

Therefore, any documentation prepared as part of an application (e.g. RBPs and policies/frameworks focused on customer-facing processes) should clearly articulate how the Duty will be met and the outcomes and remediation should things go wrong be monitored to support continuous improvement.

IT architecture and system build

All applicants will be expected to put in place a 'stack' of IT systems to support the business, including a front-end system capable of dealing with customer interfaces with planned and potential future products. In addition, a core ledger, treasury systems and capability to produce accurate and timely regulatory reporting will also be required.

The length of time to undertake vendor selection, build, integration and testing, as well as being in a position to satisfy regulatory requirements should not be underestimated. Often, the ability to demonstrate a fully functional IT system is a crucial milestone to getting regulatory authorisation and therefore early planning and scheduling to enable the insurer to reach this when at the later stages of the regulatory process is essential.

Submitting the application

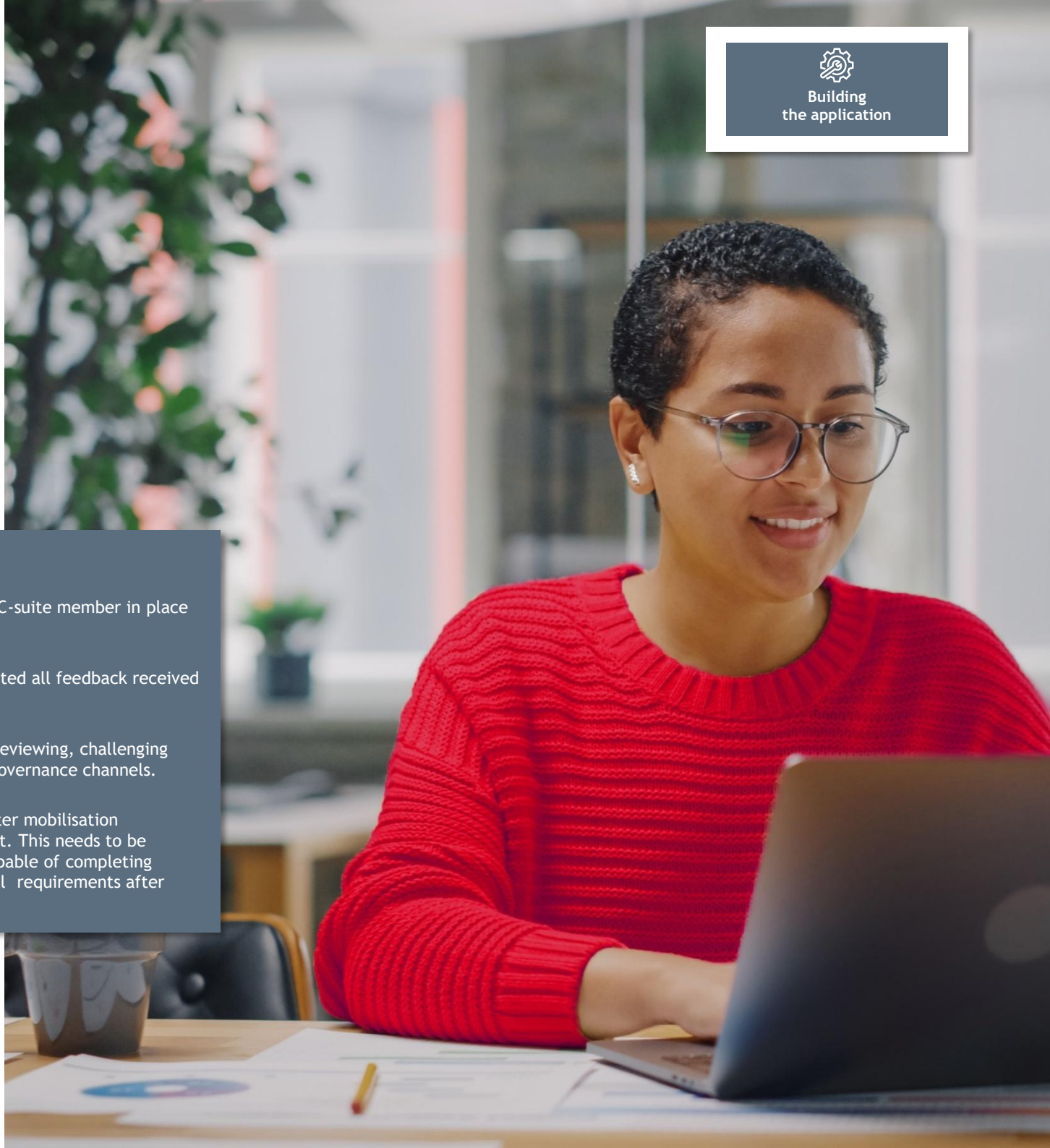
When the regulators are satisfied with draft materials reviewed and discussions had to date, the PRA & FCA will formally invite the application to be submitted. This marks the completion of the pre-application process and signals that the applicant has done sufficient work in closing out any observations and queries raised by the regulators during the process. Submitting the application however, is in itself the most important milestone in the process as only at that point will the final assessment by the regulators commence following which a definitive 'yes/no' outcome will be arrived at.

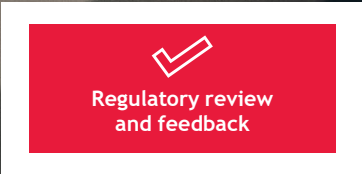
When applying, it is expected that an applicant has:

- ✓ A CEO, a Board Chairperson and at least one other C-suite member in place (typically a CRO, Chief Actuary or CFO).
- ✓ Completed all pre-application stages and has reflected all feedback received after meetings into supporting materials.
- ✓ Completed all supporting materials required after reviewing, challenging and approving these through appropriate internal governance channels.
- ✓ Raised the required minimum capital needed to enter mobilisation as determined the ORSA completed by the applicant. This needs to be presented together with a credible funding plan capable of completing any outstanding fund raising needed to meet capital requirements after exit from Mobilisation.



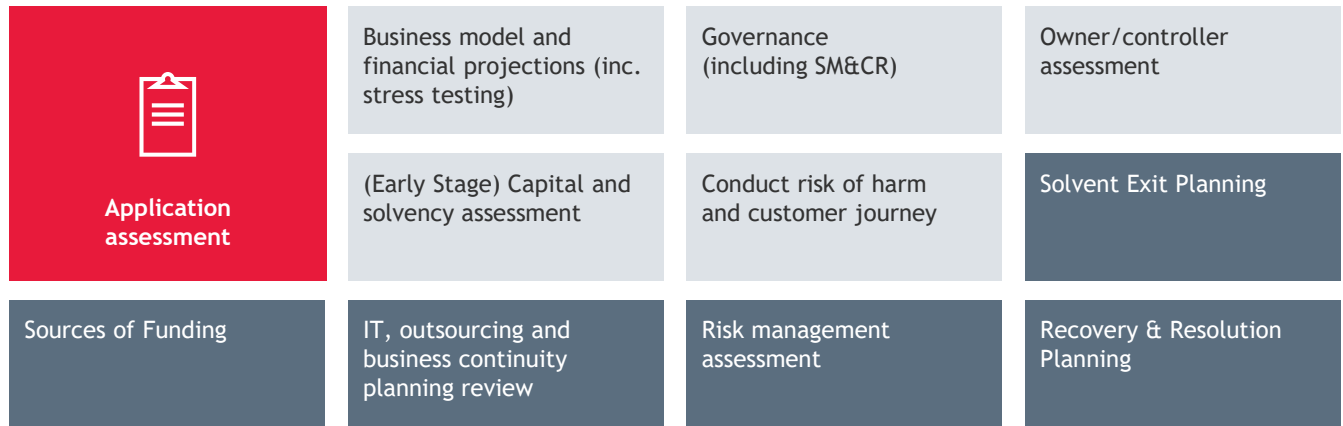
Building
the application





Regulatory review and feedback

Once the application has been submitted, the regulators will commence a rigorous assessment of the materials submitted. This involves the review of materials submitted by several senior individuals as well as subject matter experts from across both the PRA and FCA. An indication of how the regulators typically ‘box’ the various assessment stands is shown in the graphic below.



These topics will also be a focus of discussions with regulators during the pre-application stage.

It should be noted that whilst the PRA will lead on the consideration of the application, the FCA is crucial in assessing the customer/market facing aspects of the application assessing whether the applicant has met conditions relating to conduct risk and consumer duty. It will also be the assessor of the insurer’s proposed IT arrangements and will employ a specialist team to review information related to the systems and controls that will underpin the IT set-up.



Final approval and mobilisation

Assuming the application has been successful, the not insubstantial task of successfully transitioning from an authorisation project to a fully functioning insurer will now need to take place. Despite authorisation having been granted, it is not a forgone conclusion that restrictions imposed on the licence will be lifted to allow exit from Mobilisation. There exist several examples of applicants failing to exit Mobilisation for a range of reasons.

It is necessary during Mobilisation to ensure that strong project management discipline is applied to the build of remaining documentation; recruitment and systems. It is also equally important to maintain open and continuous dialogue with the regulators to complete the application process.

To demonstrate to the regulators that you are ready to exit Mobilisation, the following conditions are generally required to be fulfilled:

- ▶ Credible mobilisation exit plans are developed and have been implemented with oversight by the Board
- ▶ Capital to cover the first 12 months (at least) of post-Mobilisation operations has been raised
- ▶ Realistic recovery and wind-down plans have been developed, documented and approved by the Board
- ▶ There is a fully tested and operational IT environment in place

The PRA and FCA may also require the Board to attest to its readiness for full launch and/or may require some independent assurance work on any aspect of its operational preparedness. Once satisfied of this, only then will both regulators will give their consent and allow the applicant to operate as a fully-fledged insurer.



How can BDO help?

BDO offers a **structured and bespoke service** to ensure we provide support that is an exact match to your needs and requirements at all stages of the regulatory process.

For the purposes of synergies and managing dependencies, our support is typically grouped into thematic 'modules' (see below).




Regardless of the modules or nature of support chosen we always provide deep insight of regulatory expectations, the application process itself and the elements that are common to successful applications.

 Project management	 Regulatory Business Plan
 Governance	 Regulatory Prudential
 Risk management	 Policies and key documents
 Consumer Duty	 IT arrangements
 Mobilisation support	 Actuarial Expertise

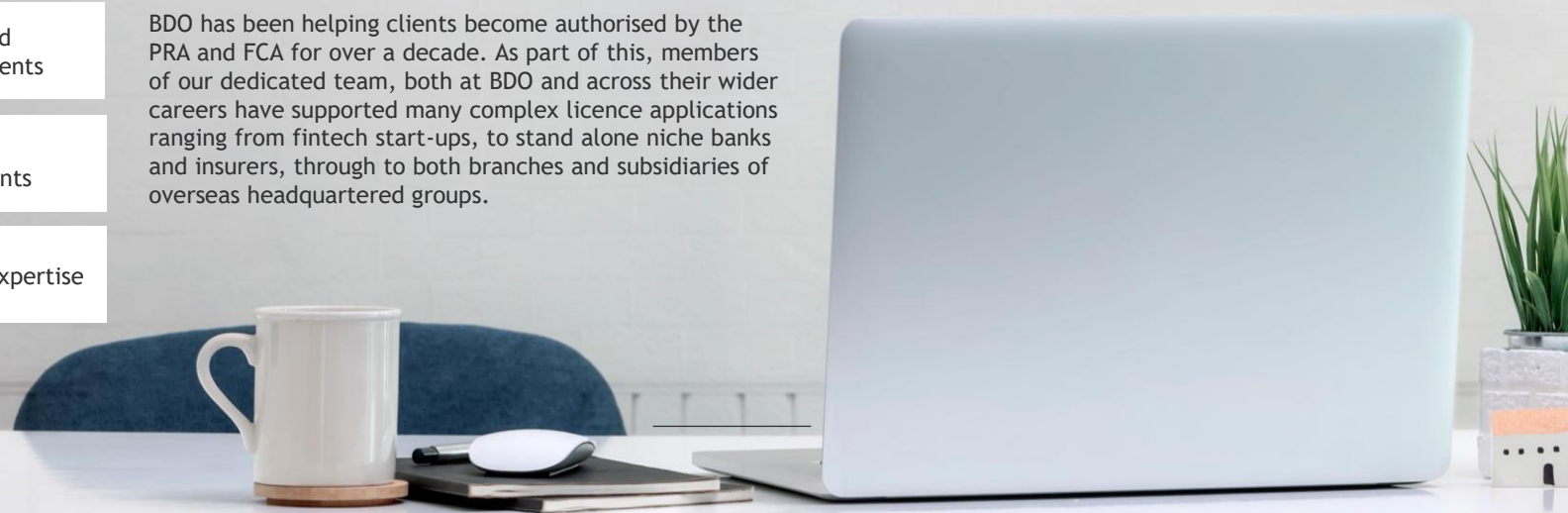
Importantly, our approach is driven by **your needs** during the application journey. For example, should the nature of support you require change as you progress deeper into the process, we can adjust the level of our support on any element of our project accordingly.

We offer flexibility throughout our engagement reflecting the often-changing needs of clients over the course of an application project. BDO's regulatory applications team has extensive experience of handling different types of applications and client needs, ranging from piecemeal 'on-demand' support through to full hands-on drafting support to create first drafts of key materials required.

We offer three levels support:

 <p>On-Demand</p> <p>Occasional support as required with targeted review/challenge on documents and input on regulatory correspondence.</p>	 <p>Hybrid</p> <p>Review/challenge support as per the On-Demand option, combined with more targeted 'hands on' drafting assistance.</p>	 <p>Enhanced</p> <p>Full drafting support across most documents, with BDO providing first drafts and subsequent updates as the application progresses.</p>
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BDO has been helping clients become authorised by the PRA and FCA for over a decade. As part of this, members of our dedicated team, both at BDO and across their wider careers have supported many complex licence applications ranging from fintech start-ups, to stand alone niche banks and insurers, through to both branches and subsidiaries of overseas headquartered groups.



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