

Lloyd's Guidance on Broker-Originated Reinsurance Structures

20 October 2026

Lloyd's of London ("Lloyd's") issued a framework for broker-originated reinsurance structures (within Lloyd's) on 16 October. This was issued in response to the growth of third-party capital solutions and increasing demand for broker facilities. This framework will be effective from 1 January 2027.

A broker-led reinsurance portfolio is a structure whereby insurance brokers bring together a group of reinsurance contracts and arrange for external investors to provide funds to support those risks (rather than the reinsurer constructing its own portfolios by directly underwriting and selecting risks). The most recent example of this is the news of the potential transaction whereby a Blackstone Lloyd's quota-share syndicate, would take a 3% following line on Aon's global catastrophe treaty placements and a 5% line on the rest of its treaty book, excluding life and retrocession, which highlights capital market demand for diversified insurance returns.

The guidance seems partially intended to address some of the discussion triggered by recent developments, offering clear parameters regarding what is acceptable for entities aiming to replicate or develop similar structures.

The framework will apply to all broker-originated reinsurance structures seeking approval to operate at Lloyd's as part of the standard new entrant approval process (and the standard rules for new entrants will continue to apply).

Key Features of the Framework. With a view to mitigate any potential concentration and anti-selection risks, Lloyd's will require that a minimum of 25% of capacity must be provided by lead reinsurers and will provide that certain types of business are out of scope (a limited list has been provided to date, including hybrid fronting carriers, MGUs and legacy providers, while the involvement of captives will be subject to a prior submit arrangement; there can also be no exposure to Cyber war "type 4" language). Further, once the participation cession has been determined as part of the overall transaction, cedents must cede either all of their eligible portfolio with the respective broker to the structure, or none of it. The managing agent must have the ability to independently assess the risks being acquired — Lloyd's specifically refers to the managing agent

having strong reinsurance pricing capabilities, existing portfolio solutions expertise and sufficient data access. In addition, Lloyd's will require a minimum capital participation from the member aligned to the managing agent of 19.99%.

Brokers are also prevented from owning or capitalising these structures which is unsurprising given the role of the broker. Furthermore, Lloyd's is imposing an initial market-wide risk appetite of up to 10% of the broker's treaty portfolio that can be placed into these structures. These restrictions on brokers' involvement manages the potential divergence of interest between brokers and capital providers (who ultimately bear the risk).

Lloyd's has shown its continued focus on delivering strong financial results — the bulletin indicates that these structures must also align with Lloyd's cross-cycle 95% net combined operating ratio target.

Lloyd's will impose strict reporting requirements, including regular engagement and data sharing on a quarterly basis, as well as guardrails relating to governance, underwriting and portfolio management which must be agreed with both Lloyd's and the capital provider and managing agent. Data continues to be a key focus with Lloyd's requiring that data is provided to the managing agent at least monthly, including dashboards, exception reports and bind level data.

By year three, if the broker-led reinsurance portfolio has not reached an indexation of at least 70%, this will prompt a discussion between Lloyd's and the managing agent, which may involve winding up the structure.

Lloyd's has made clear that it expects the cedent to share in the efficiencies generated through the use of this broker-led structure (whether operational- or capital-related) through a client dividend.

Implications for Market Participants. Despite restrictions imposed on their ownership and capital involvement by Lloyd's, brokers are likely to be a key commercial beneficiary of the framework and the growth of broker-originated reinsurance structures. Greater clarity around the approval and operation of these structures could facilitate the development of new reinsurance solutions and opportunities to attract external capital.

Managing agent accountability is also a significant feature of the framework. Managing agents will have an important role in these structures, as the framework stresses the importance of strong pricing capabilities and solutions expertise, as well as the requirement for participation by an aligned corporate member.

More broadly, the framework may support the growth of the Lloyd's market by providing greater clarity for brokers and third-party capital providers who are seeking to establish new reinsurance arrangements. This in turn could facilitate additional underwriting business and attract external capital whilst reinforcing Lloyd's commitment to underwriting discipline and risk management. As demand for these structures develops, which Lloyd's believes it will, ongoing oversight will be required to maintain protection of the Central Fund.

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