LLOYD'S

Market Bulletin

Ref: Y5470

Title	Lloyd's Europe - Reinsurance Collateral Deposit
Purpose	*To inform Managing Agents of new requirements regarding Lloyd's Europe Reinsurance Collateral Deposit*
Type	Scheduled
From	James Davidson, Lloyd's Europe CFO James.Davidson@lloyds.com
Date	*24 November 2025*
Deadline	Effective 1 January 2026
Related links	

Summary

Following market engagement with support of the LMA, Lloyd's Europe will be implementing a Reinsurance Collateral Deposit (RCD) from 1 January 2026 for YoA 2026 onwards, in order to meet regulatory expectations. Monies will be collected from participating syndicates by Lloyd's Europe to form the RCD, however, it will not be used to settle claims. The RCD will be maintained at the level of notified outstanding claims reserves, as adjusted quarterly; investment returns and income arising will be credited to deposit balances.

A detailed information pack has been provided to managing agents by Lloyd's Europe on the new arrangements.

Rationale for new requirement

The RCD is being implemented in order to meet regulatory expectations for Lloyd's Europe.

Engagement with the LMA

Lloyd's is authorised under the Financial Services and Markets Act 2000

During the course of 2025, engagement has taken place with the relevant LMA committees and working groups, as well as the specific RCD working group. Feedback has been duly considered and reflected in the design of the RCD arrangements.

Processes

The RCD will be held in a Lloyd's Europe bank account as a static fund. The RCD will be invested in a fund structure managed by Lloyd's Treasury & Investment Management (LTIM). Income generated from the investments will be added to the balance and reflected in the value of the RCD at the quarterly rebalancing process.

The quarterly balancing process is:
1. Monies are collected from syndicates quarterly to the level of notified outstanding case reserves per YoA, per currency (EUR, USD, GBP, with other currencies converted to GBP). The money collection is fully automated via Lloyd's central settlement.
2. In the event that there is a shortfall in the amount required to be held then additional monies will be collected from the syndicate (on a per YoA, per currency basis).
3. In the event there is a surplus then monies will be returned to the syndicate.

There are no changes to Velonetic or daily cashflow processes via Lloyd's central settlement.

To support the balancing process and ensure transparency, accurate and timely reporting of balance statements will be provided by Lloyd's to managing agents. Further reporting will be completed regarding the management of the collateral and investment of the RCD.

Legal Framework

The implementation of the RCD arrangement will be effected through changes to the terms of the QS Reinsurance Agreement for the 2026 YoA. The RCD is used to cover reinsurers' liabilities (specifically the amount of outstanding case reserves) under their reinsurance agreements with Lloyd's Europe.

Applicability

The RCD arrangements will apply to all syndicates entering into a QS Reinsurance Agreement with Lloyd's Europe for the 2026 (and subsequent) YoA.

Questions

Lloyd's Europe Reinsurance Agreement queries
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