

Market Bulletin

Ref: Y5493

Title	Framework for broker-originated reinsurance structures within Lloyd's
Purpose	To provide guidance on Lloyd's approach, expectations and approval requirements for broker-originated reinsurance structures
Type	Scheduled
From	Rachel Turk, Chief of Performance & Strategy Market Performance Rachel.turk@lloyds.com
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Deadline	N/A
Related links	N/A

The growth of broker facilities and third-party capital solutions has created an emerging opportunity for broker-led reinsurance portfolios supported by external capital. We expect demand for these structures to increase.

We have today issued a clear framework for how these structures are overseen at Lloyd's that will take effect from 1st January 2027. The framework is transparent, principles-based, and provides the market with clarity on Lloyd's appetite, expectations and guardrails for such structures.

The new framework seeks to support innovation and growth while maintaining underwriting discipline and protecting the Central Fund. It is anchored around Lloyd's cross-cycle 95% net combined operating ratio target and establishes clear requirements relating to market concentration, ownership and capital, governance, managing agent capabilities, underwriting guardrails, portfolio oversight and eligibility criteria.

Consistent with Lloyd's broader approach, broker-originated reinsurance structures are subject to the standard new entrant approval process and ongoing oversight arrangements.

Key features of the framework include

- A requirement for these structures to demonstrate alignment with Lloyd's cross-cycle 95% net combined operating ratio target.
- An initial market-wide risk appetite of up to 10% of an individual broker's treaty portfolio that can be placed into these structures.
- A requirement that brokers cannot own or capitalise these structures.
- A minimum capital participation requirement from the member aligned to the managing agent of 19.99%.
- Eligible structures must fulfil a set of requirements designed to mitigate concentration and anti-selection risks:
 - A minimum of 25% of capacity to be provided by the lead reinsurers, with the panel agreed by the managing agent.
 - Certain types of business are out of scope, including but not limited to hybrid fronting carriers, MGUs and legacy providers, with the involvement of captives subject to a prior submit arrangement.
 - Once the participation cede has been determined as part of the overall proposition, 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 strong reinsurance pricing capabilities, existing portfolio solutions expertise, and sufficient data access to validate, verify and challenge the assumptions provided by the broker.
- Reporting and oversight
 - Requirements to include regular engagement with Lloyd's with data shared at least quarterly.
 - Mandatory governance, underwriting and portfolio management guardrails agreed with Lloyd's and contractually agreed between the capital provider and the managing agent.
 - Data must be able to be provided to the Managing Agent by the broker at least monthly, including dashboards, exception reports and bind level data.
- If indexation of at least 70% has not been reached by year 3 of the structure, Lloyd's and the managing agent will agree next steps which can include winding up the structure.
- In line with all business at Lloyd's, CPG continues to approve annual plans, and any mid year changes where relevant.
- No exposure to Cyber war "type 4" language.
- We expect the cedent to share in the efficiencies generated by the structure (operational and capital) through the mechanism of a client dividend.
- Standard new entrant capital allocation rules and timings apply.

The framework applies to all broker-originated reinsurance structures seeking approval to operate within Lloyd's and should be considered alongside the standard new entrant approval process.

Further information

If you are considering a broker-originated reinsurance structure, or have any questions regarding the eligibility criteria, governance requirements or approval process, please contact Lloyd's Market Development team at newentrants@lloyds.com