Proskauer

Client Alert - Lloyd's Sets the Guardrails for Broker-Originated Reinsurance Structures

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Background

On 16 October 2026, Lloyd's published Market Bulletin Y5493, 'Framework for broker-originated reinsurance structures within Lloyd's' (the **Framework**). The Framework, effective from 1 January 2027, sets out Lloyd's appetite and expectations for broker-originated reinsurance structures, under which syndicates backed by third-party capital reinsure portfolios originated by brokers.

The Framework responds to a market development that has become high-profile through Cortina syndicate 1956, whose launch was announced by Aon and funds managed by Blackstone on 6 November 2026. QBE will act as managing agent, with Blackstone capital provided through London Bridge 2. For participating clients, Cortina will write fixed following lines of 3% on eligible property catastrophe excess-of-loss treaties and 5% on other eligible Aon-arranged treaties. Lloyd's Council gave Cortina in-principle approval on 16 October 2026; underwriting from 1 January 2027 remains subject to final Lloyd's approval and completion of the 'Making It Happen' actions. Lloyd's acknowledges that demand for these structures is likely to increase, as private capital seeks new ways to participate in the Lloyd's market. For more on private capital deployment in the insurance sector, including through London Bridge 2, please see our article, 'Insurance and Private Capital: The Next Phase of Convergence'.

The Framework is a positive and well-judged step. It confirms that Lloyd's regards these models as legitimate, and provides market-wide protections giving new market entrants greater confidence to deploy capital whilst the models are still being developed and tested.

What the Framework Requires

Key features of the Framework are:

- **Performance:**the Framework is anchored around Lloyd's cross-cycle target of a 95% net combined operating ratio, so these structures must show they can make an underwriting profit over time.
- **Risk appetite:** Lloyd's has set 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 precautionary guardrail whilst these products become better understood.
- **Ownership structures:** brokers cannot own or capitalise the structures, and the member aligned to the reinsuring syndicate's managing agent must maintain a capital participation of at least 19.99%. These requirements maintain the separation between the broker's distribution role and the assumption of underwriting risk. They also align the managing agent's interests with the syndicate's performance, reinforcing its incentive to scrutinise the broker's data analytics and independently assess the lead reinsurers' pricing.
- **Eligibility and anti-selection:** (i) at least 25% of capacity must be provided by lead reinsurers, with the panel agreed by the managing agent; (ii) certain business types are out of scope, including, but not limited to, hybrid fronting carriers, managing general underwriters and legacy providers, with captive involvement subject to a prior submit arrangement with Lloyd's; (iii) once the participation cede is determined, cedents must cede either all of their eligible portfolio with the relevant broker to the structure, or none of it; and (iv) there must be no exposure to cyber war 'type 4' language (clauses that leave cover for state-backed cyber-attacks forming part of war outside the warring states, whose use Lloyd's prohibited for policies incepting from 1 January 2025).
- **Managing agent capability:** the managing agent must have strong reinsurance pricing capabilities, existing portfolio solutions expertise and sufficient data access to validate, verify and challenge the broker's assumptions.
- **Reporting and oversight:** data must be shared with Lloyd's at least quarterly, the broker must be able to provide data to the managing agent at least monthly (including dashboards, exception reports and bind-level data), and governance, underwriting and portfolio management guardrails must be agreed with Lloyd's and contractually agreed between the capital provider and the managing agent. Lloyd's Capital Planning Group (CPG) continues to approve annual plans and relevant mid-year changes.
- **Review and client benefit:** if indexation of at least 70% has not been reached by year three of the structure, Lloyd's and the managing agent will agree next steps, which can include winding up the structure. Lloyd's also expects cedents to share in the operational and capital efficiencies generated by the structure through a client dividend.

A Positive Step for the Market

The Framework is a welcome development, reflecting Lloyd's acceptance of innovative structures that bring new capital into the market. It combines commercial flexibility with proportionate principles that protect the Central Fund and maintain underwriting discipline.

It also introduces safeguards for cedents and capital providers, as discussed below.

Protecting New Entrants Whilst the Models Develop

Several of the Framework's requirements provide practical protections for new capital providers, including:

1. **Information asymmetry**

The broker originating the business will usually have a better understanding of the portfolio than either the managing agent or the capital provider. The obligation on brokers to provide managing agents with at least monthly bind-level data helps to reduce this information gap by enabling the managing agent to validate and challenge the broker's assumptions. Where this information is also shared with capital providers, they can take an informed decision on capital deployment in future underwriting years.

2. **Anti-selection**

A new vehicle is particularly exposed to receiving the risks that other markets would prefer not to write. The all-or-nothing cession requirement prevents cedents from directing only their least attractive business to the structure. The requirement for lead reinsurers to provide at least 25% of capacity helps ensure the business is priced and led by reinsurers with their own capital at risk.

3. **Alignment of interest**

The 19.99% minimum participation from the member aligned to the managing agent ensures that the managing agent has meaningful 'skin in the game'. Combined with the prohibition on broker ownership and capitalisation, underwriting accountability rests with a party whose capital is exposed to the results, rather than with a party that earns commission on placement. For capital providers, this is a valuable structural protection.

4. **Conflicts and customer outcomes**

As brokers act for their cedent clients, a structure in which a broker places client business into a vehicle it controls would raise obvious conflict concerns. The ownership prohibition and the expectation of a client dividend address these concerns directly: the cedent should share in the efficiencies the structure creates, and the broker should not profit from steering business into its own capital.

5. **Measured growth**

The initial 10% cap on an individual broker's treaty portfolio allows the market to build experience gradually, and is likely to be revisited once more performance data is available.

Practical Points and Open Questions

Whilst the Framework provides welcome clarity, parties considering a structure should address the following points early:

1. **Scope:** the Framework applies to all broker-originated reinsurance structures seeking approval to operate within Lloyd's, although it does not define the term. As structures and strategies for bringing private capital into the market evolve, participants should assess whether any proposed arrangement involving broker-originated reinsurance business falls within the Framework's scope.
2. **Indexation:** the Framework does not define how the 70% threshold by year three is measured, whether by gross written premium, treaty count or eligible cedent limit. Sponsors should agree the basis with Lloyd's upfront, given the possibility of winding up, and understand how their exposure may change over time.
3. **Managing agent capital:** the aligned corporate member must take a capital participation of at least 19.99%, leaving at most 80.01% for unaligned investors. We expect this to favour managing agents backed by established insurer balance sheets, such as QBE, over pure turnkey providers that may be reluctant to commit Funds at Lloyd's across the underwriting cycle.
4. **Contractual guardrails:** the governance, underwriting and portfolio management guardrails must be agreed with Lloyd's and documented between the capital provider and the managing agent. For London Bridge 2 and third-party corporate member deals, the capital documentation should specify portfolio eligibility, monthly bind-level data sharing with investors, and triggers for suspending new commitments or not renewing participation. These protections must preserve the managing agent's underwriting discretion and its PRA, FCA and Lloyd's governance duties.

5. **Client dividend:** Lloyd's has not prescribed how the client dividend should be calculated or paid. Investors should also establish whether the dividend comes from broker remuneration or underwriting and capital efficiencies, and how it affects their returns.
6. **Timing:** the proposed syndicate's business plan and supporting capital must be approved through Lloyd's standard new entrant approval process, and the necessary capital arrangements finalised before underwriting begins. Standard new entrant capital allocation rules and timings apply, including Syndicate Business Forecast (SBF) submissions and Coming-into-Line deadlines for providing capital. Mid-year capacity increases require approval of the relevant plan and capital changes through CPG, and the express agreement of every member. Sponsors used to Bermuda sidecars or bilateral quota shares should allow for these steps when planning how quickly to adjust capacity as rates change.

Conclusion: Where the Market Is Heading

The Framework is a pragmatic response to growing demand for broker-led reinsurance capacity. It allows innovation to proceed within the Lloyd's market, whilst placing sensible limits on concentration, conflicts and anti-selection in the period when these models are least tested. For capital providers and managing agents, it provides a set of baseline protections that previously would have needed to be negotiated structure by structure.

We expect the Framework to encourage further broker-originated propositions at Lloyd's over the coming years of account, and for Lloyd's to refine the calibration, including the 10% cap, as experience develops. Parties that engage early with the eligibility, governance and data requirements will be best placed to move through the approval process efficiently.

Proskauer has deep experience advising capital providers, managing agents and other market participants on Lloyd's structures and the interaction between private capital and insurance regulation. For further information, please contact Andrew Wingfield (Partner) or Edward Lister (Special Regulatory Counsel).

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