Session Overview

- What is an MGA and how do they work?
- What does the US MGA space look like?
- When / why use an MGA?
- Case Study in Product Innovation
- Operational Considerations for MGA relationships
What level of familiarity do you have with MGAs?

A. Novice: “What’s an MGA?”
B. Beginner: “I’m familiar with the term, but haven’t worked with MGA business”
C. Experienced: “I’ve worked or am working with MGA business.”
D. Expert: “They should have asked me to present.”
What is an MGA and how do they work?

Managing General Agent
- Wholesaler
- Managing General Underwriter
- Program Administrator

Key Characteristics
- Authority to perform underwriting functions
- Controls Distribution
- Other functions may be present
**Division of labor**

**Activities performed by the MGA / PA**

- **Performed Frequently**
  - Marketing
  - Sales and Distribution
  - Underwriting
  - Policy Administration and Billing
  - Risk Engineering
- **Performed Infrequently**
  - Claims

**Key Characteristics**

- Acts on behalf of the insurance company
- Contracts, Underwriting guidelines and Authority Statements create parameters for behavior
- Deep knowledge in niche
- Strong oversight
- Forms and rates negotiated
Just how large is the MGA market compared to US P&C DPW?

A. Immaterial <5%
B. Small 5-10%
C. Medium 11-25%
D. Large >25%
2019 MGA Market Space\(^1\)

- US P&C Market (DPW)
  - $379.3B
  - $323.8B

- US MGA Market (DPW)
  - $33.3B
  - $10.0B
  - $6.5B

- Growing faster than standard market
- >7% of total market

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Why / when to use an MGA?

Insurance is more than writing the risk
MGAs provide meaningful contributions to the supply chain

Access deeper expertise
Relationship factors
Responsiveness to fast changing industries
Scalability
Case Study: Cannabis Insurance
Up to 2019

Favorable trends

- Increasing legalization of Medicinal and Recreational Cannabis
- Huge potential new market
- Possible Federal and State regulatory issues kept many insurers out
- Rate regulation compared to similar products

Challenges

- Possible Federal and State regulatory issues kept many insurers out
- Rate development for a new exposure
- Concerns over vaping pens, vaping batteries, and quality control
Case Study: Cannabis Insurance
Summer 2019

- Then what happened?
  - The Cannabis market stalled due to vaping concerns
- If you are an insurer, what do you do?
- How do you salvage your investment in underwriters, rate development, and claims administration?

MGAs offer scalability
Case Study: NY Contractors General Liability
How we got here

Contractors general liability is a risky class
- Issues identifying liable party
- Inconsistent coverage between general contractor and subcontractors
- Construction wrap-ups solve some issues, but a claim is still a claim

NY contractors have additional risks
- New York Labor Law
- Litigious environment
- Urban hazards
Case Study: NY Contractors General Liability

NY streetscape

Photos from Unsplash. Credits clockwise from top center: Ian Schneider, Jason Forrest, Matthew LeJune, Lerone Pieters, Chon S
Case Study: NY Contractors General Liability
Who is liable when a claim comes in?

Less Common Parties

- Construction Manager
- Architect
- Engineer
Case Study: NY Contractors General Liability

- Local underwriters with knowledge of the local market
- Vendor relationships that help identify risk during underwriting and during the life of the policy
- Legal partnerships at all stages of the policy lifecycle including claims
- Fewer handoffs mean less loss of information

**MGAs offer a way to write a high hazard product**
Case Study: NY Contractors General Liability

The Ethos approach

- Site Safety & Risk Mitigation
- Certified Workforce Training
- Virtual Reality Safety Training
- Safety Management App

Essential to our mission is the belief that everyone deserves to go home safely at the end of the day.
## Case Study: NY Contractors General Liability

Engineering the process to have less handoffs

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<tr>
<th>Underwriting Process</th>
<th>Risk Management and Claims Administration</th>
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<td><strong>Commence Project</strong></td>
<td><strong>Ongoing Operations</strong></td>
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<td><strong>Risk assessment:</strong></td>
<td><strong>Audit:</strong> On-site visit</td>
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<td>Investigation of potential policy holders</td>
<td><strong>Analyse:</strong> All safety programs and insurance policies of main policy holder and all subs</td>
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<td><strong>Liability analysis:</strong></td>
<td><strong>Support:</strong> Provide technology and personnel to meet safety objectives</td>
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<tr>
<td>Legal review of General Contractor / Subcontractor agreements</td>
<td><strong>Observation investigation:</strong> Full examination of occurrence with reporting</td>
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<td><strong>Vetting:</strong></td>
<td></td>
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<tr>
<td>Our working relationship with NYC DOB and privileged industry contacts give us unique insight</td>
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<td><strong>Evaluation:</strong></td>
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<td>Recommendations &amp; reporting for legal, risk management, and insurability matters</td>
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<tr>
<td><strong>Remediation:</strong> Provide actionable steps to prevent future observations and assist with regulatory requirements and potential claims</td>
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Operational Considerations

- Data
- Actuarial
- Compliance
- Contracts
- Moving a book
- Auditing
- Book Monitoring
- InsureTech
- Start ups
Questions?