

Are MGAs the Future of Underwriting?



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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?

The background of the slide features a dark, semi-transparent image of two stylized, grey 3D figures shaking hands. Each figure is positioned behind a laptop computer, suggesting a business agreement or partnership. The overall aesthetic is professional and modern.

Managing General Agent

- Wholesaler
- Managing General Underwriter
- Program Administrator

Key Characteristics

- Authority to perform underwriting functions
- Controls Distribution
- Other functions may be present

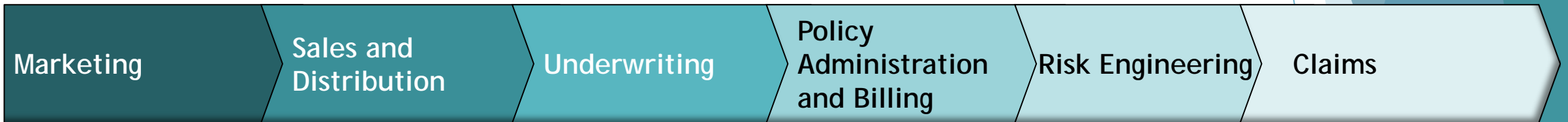
Division of labor

Activities performed by the MGA / PA

Performed
Frequently



Performed
Infrequently



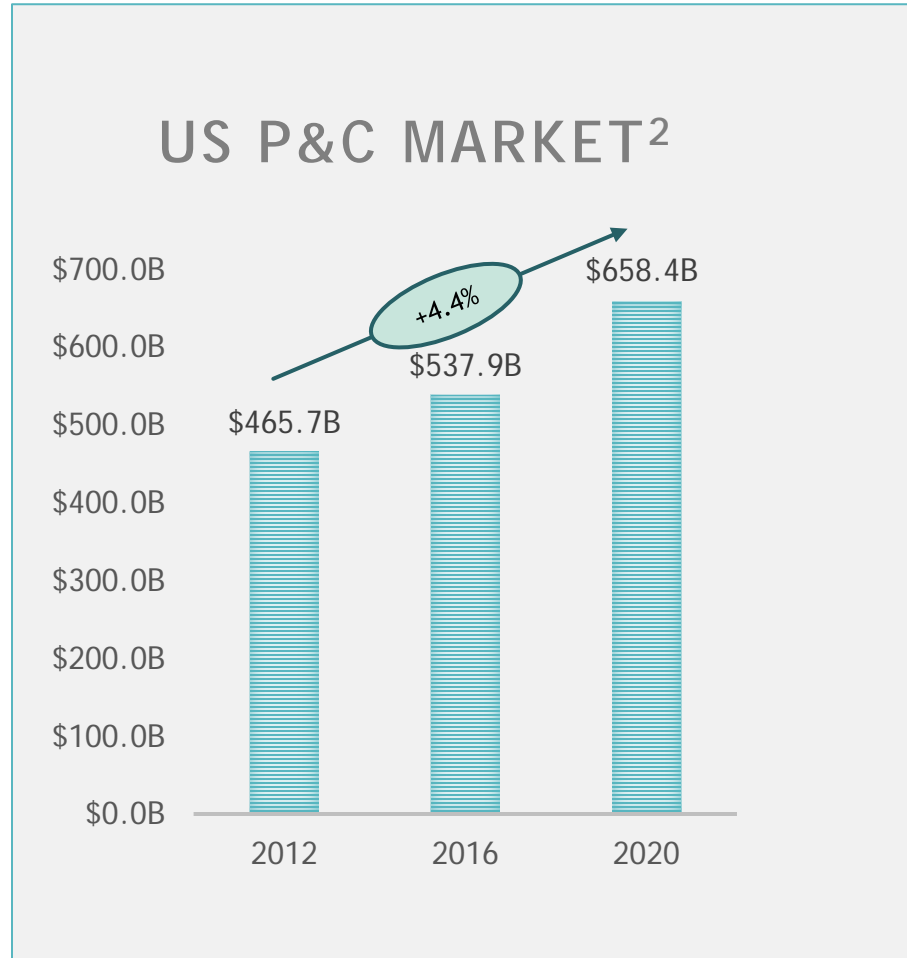
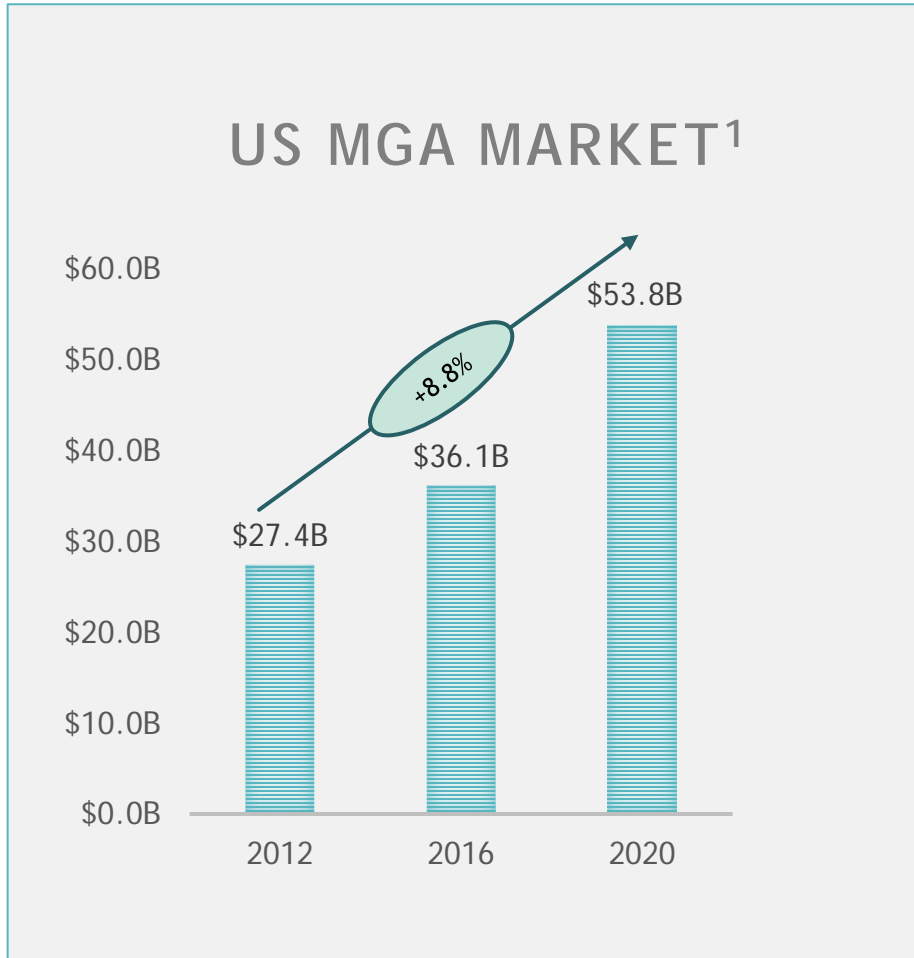
Key Characteristics

- 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%

2020 MGA Market Space



¹ Target Markets 2012, 2016 and 2020 State of the Program (www.targetmkt.com)

² Insurance Information Institutes Facts + Statistics (www.iii.org)

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: Tech-Driven Insurance

InsurTech, gig economy, and e-commerce

Who has insurance?

InsurTech



Gig economy



E-commerce



...and many, many more!

Case Study: Tech-Driven Insurance

InsurTech, gig economy, and e-commerce

Favorable trends

- ▶ Silicon Valley insurance coverage needs rapidly expanded during the late 2010s
- ▶ Not all companies desired to set up captives or become a full-stack carrier
- ▶ Tech companies often scale quickly and represent a huge pool for premiums
- ▶ Favorable customer purchasing environment with optimized customer journey
- ▶ Tech companies collect a lot of data

Challenges

- ▶ Coverages may be non-standard
- ▶ Forms language may not be standard ISO
- ▶ Tech companies may have different expectations than traditional insurance program managers
- ▶ What data will the tech company share?

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

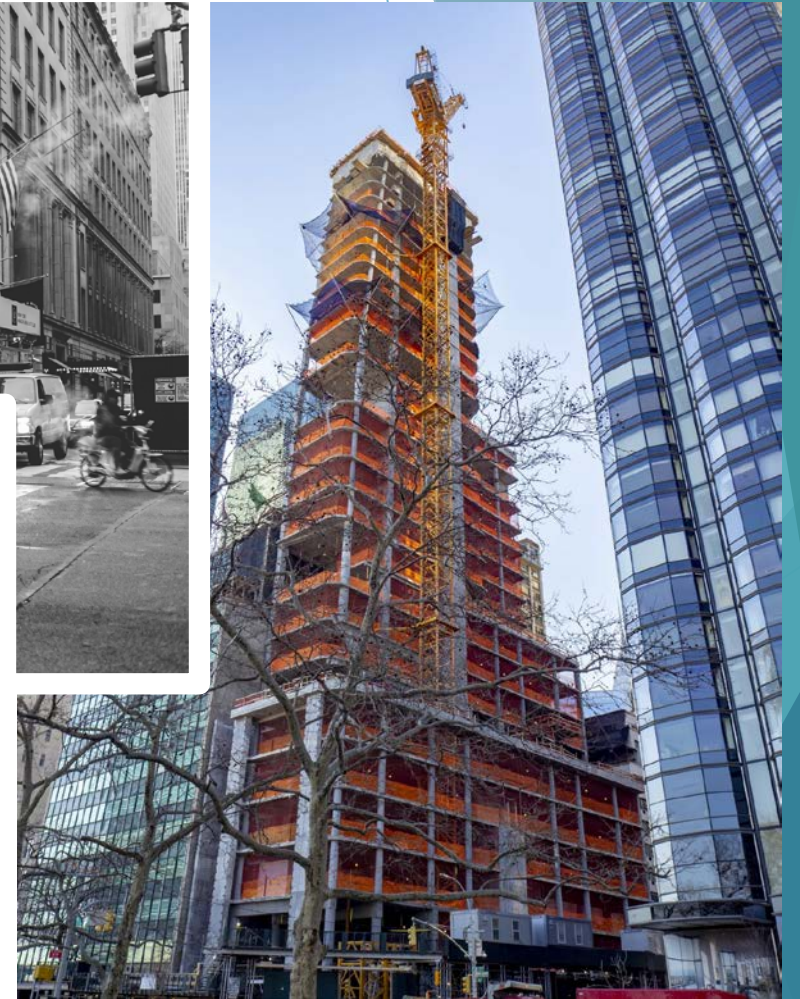
NY contractors have additional risks

- ▶ 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?

- Building Renter
- General Contractor
- Landowner
- Employee
- Subcontractor #1
- Subcontractor #2
- Subcontractor #3



Photo from Unsplash. Credit Tommi Selander

- ### Less Common Parties
- Construction Manager
 - Architect
 - Engineer

Case Study: NY Contractors General Liability

MGAs offer a way to write a high hazard product

- ▶ 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

Case Study: NY Contractors General Liability

The Ethos approach



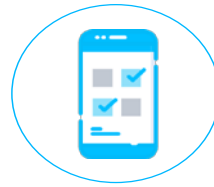
Site Safety & Risk Mitigation



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

Underwriting Process

Risk assessment:

Investigation of potential policy holders

Liability analysis:

Legal review of General Contractor / Subcontractor agreements

Vetting:

Our working relationship with NYC DOB and privileged industry contacts give us unique insight

Evaluation:

Recommendations & reporting for legal, risk management, and insurability matters

Risk Management and Claims Administration

Commence Project

Audit:

On-site visit

Analyze:

All safety programs and insurance policies of main policy holder and all subs

Support:

Provide technology and personnel to meet safety objectives

Ongoing Operations

Transparency:

Facilitate direct line of communication between the project and Ethos and alert to potentially hazardous conditions on site

Observation investigation:

Full examination of occurrence with reporting

Remediation:

Provide actionable steps to prevent future observations and assist with regulatory requirements and potential claims

Claims

Legal review:

Same legal firm reviews claim as had reviewed GC/Sub agreements and insurance contracts

Data review:

Sensors and Key Risk Factors reviewed in claims investigation

Qualified professionals:

Exclusive relationships with professionals who specialize in NY Contractors claims

Operational Considerations

Data

Actuarial

Compliance

Contracts

Moving a
book

Auditing

Book
Monitoring

InsureTech

Start ups



Questions?