

Are MGAs the Future of Underwriting?



Anju Arora, FCAS
SVP Program
Performance &
Actuary
Ethos Specialty
(Ascot Group)



Denise Olson, FCAS,
CPCU, CPL
SVP, Head of US MM
Programs
Zurich North America

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



Actuarial 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 type of organization is your employer?

- A. (Re)Insurer
- B. Regulatory
- C. MGA/InsureTech MGA/Broker
- D. Consulting
- E. Other

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 sitting at a desk and shaking hands over two open laptops. The figure on the left is on the left laptop, and the figure on the right is on the right laptop. The overall tone is professional and collaborative.

Managing General Agent

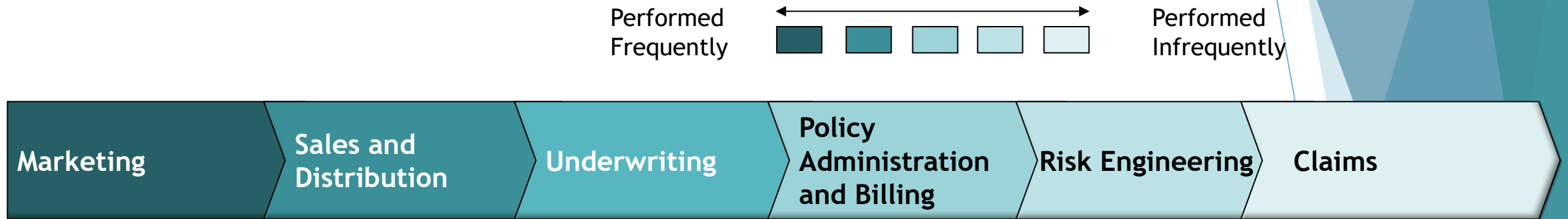
- Wholesaler
- Managing General Underwriter
- Program Administrator

Key Characteristics

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

Division of labor

Activities performed by the MGA / PA



Key Characteristics

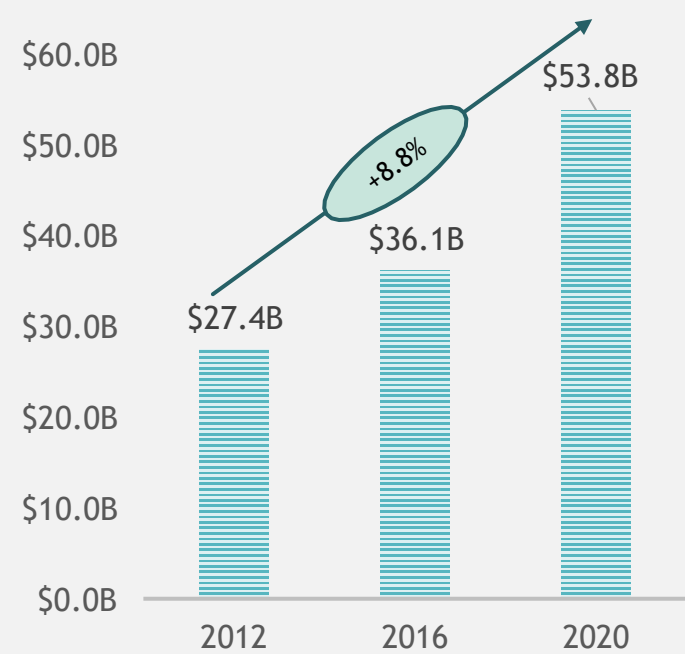
- Acts on behalf of the insurance company
- Contracts, Underwriting guidelines and Authority Statements create parameters for behavior
- Deep knowledge in niche
- Strong oversight
- Forms and rates negotiated

Just how large is the MGA market compared to US P&C DPW?

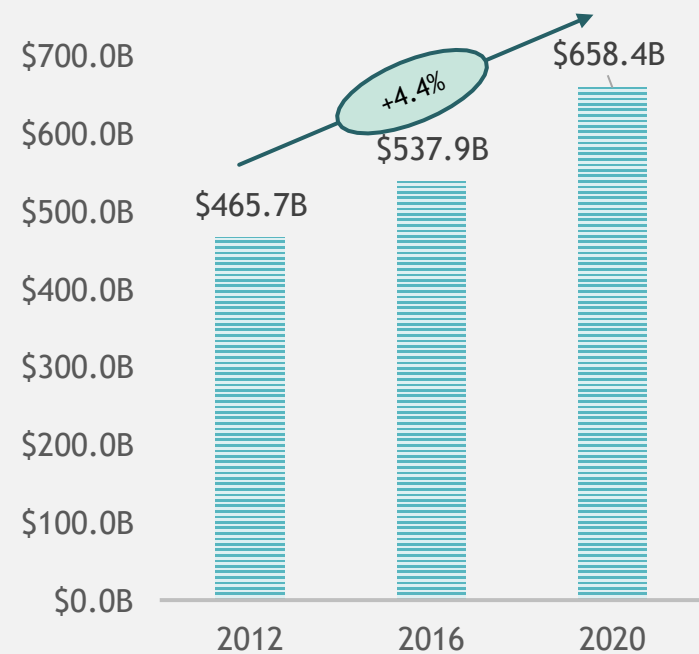
- A. Immaterial <5%
- B. Small 5-10%
- C. Medium 11-25%
- D. Large >25%

2020 MGA Market Space

US MGA MARKET¹



US P&C MARKET²



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

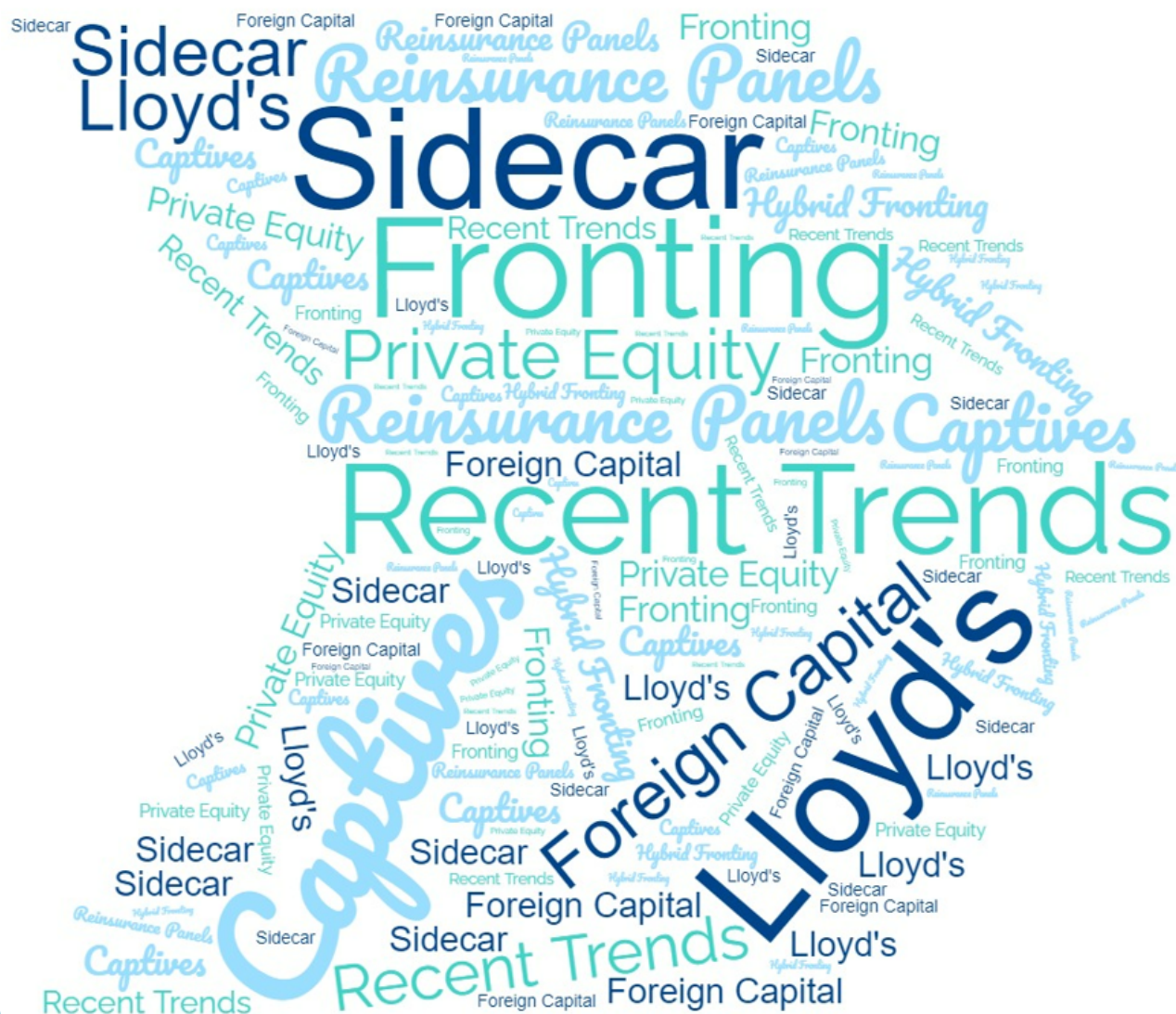
Specialized Underwriting & Risk Management

Targeted distribution strategy

Responsive to fast changing industries

Scalability

Faster access to new markets



With all the ways risk is being handled across the industry, do you think an actuary needs to view risk differently?

- A. Yes
- B. No
- C. Don't know
- D. Don't care

What is a financial measurement for an MGA/MGU/PA?

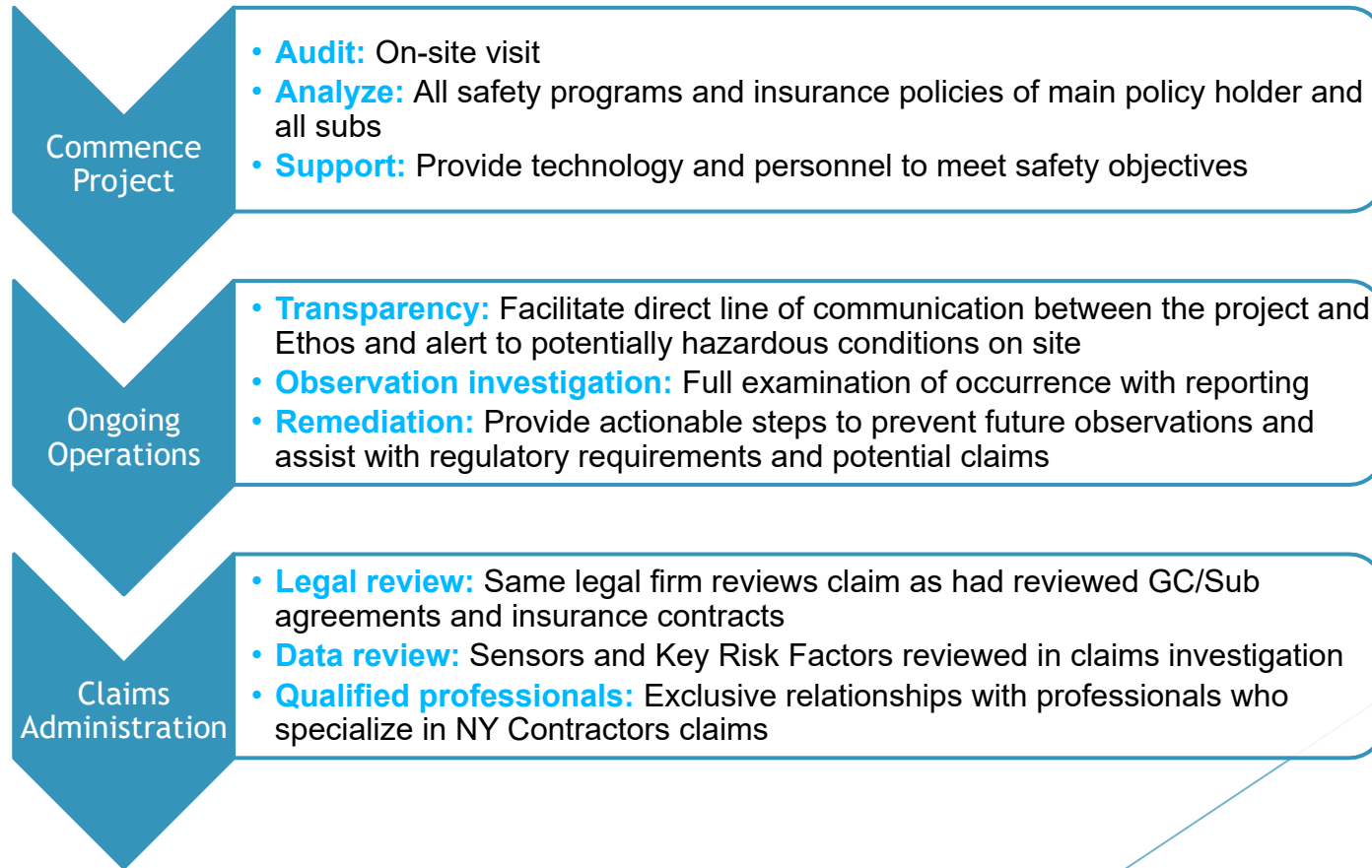
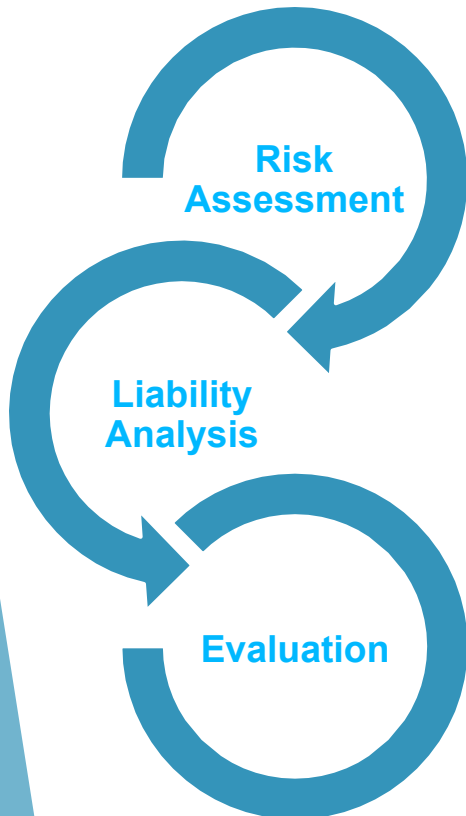
- A. Underwriting Profit
- B. Agency Profit
- C. Premiums
- D. Commissions

Case Study: NY Contractors General Liability

An MGA Approach

Underwriting Process

Risk Management and Claims Administration



Actuarial Considerations

Data

Who's the
customer?

Compliance

Contracts

AM Best

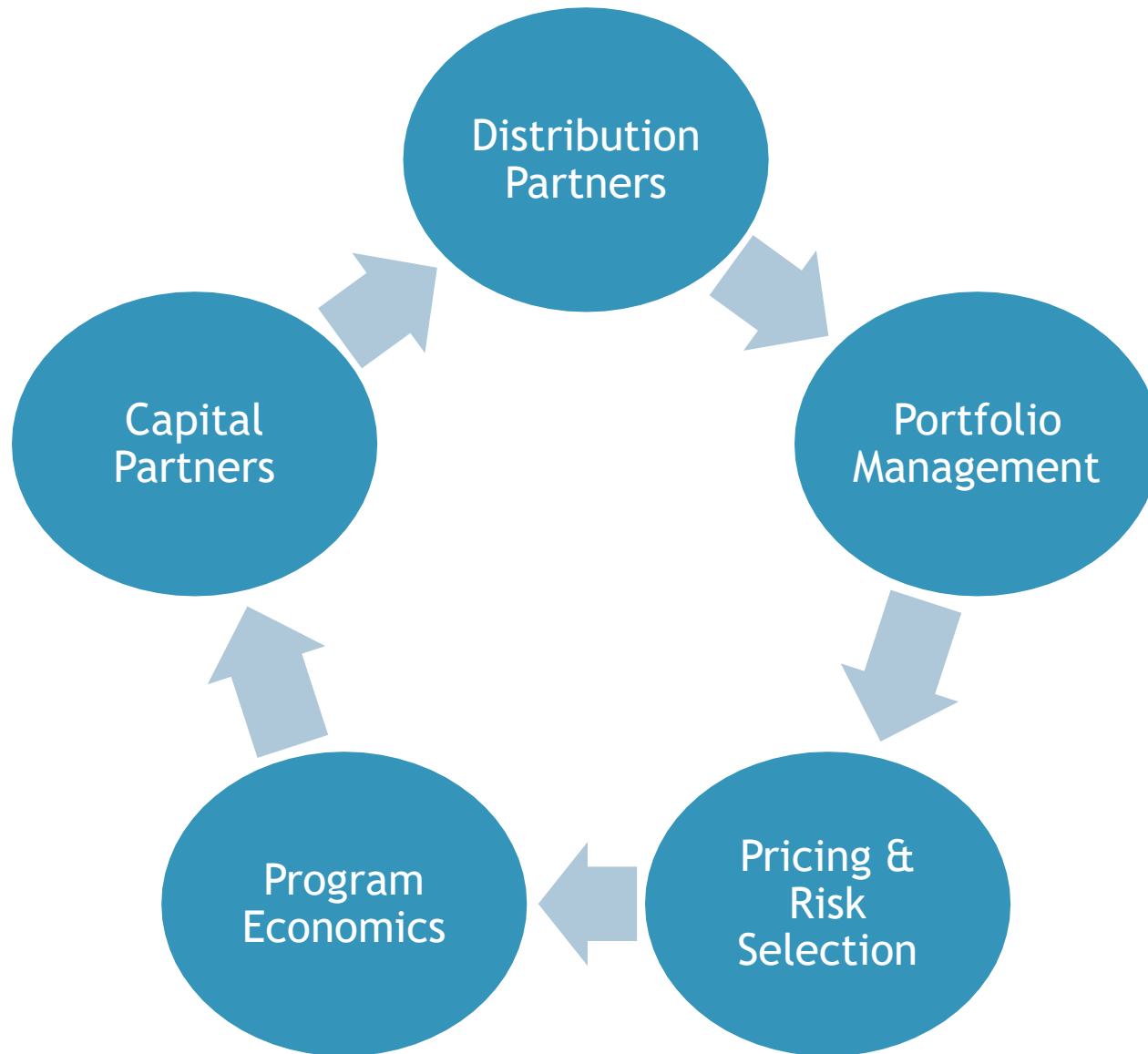
Program
Performance

Risk
Selection

InsureTech

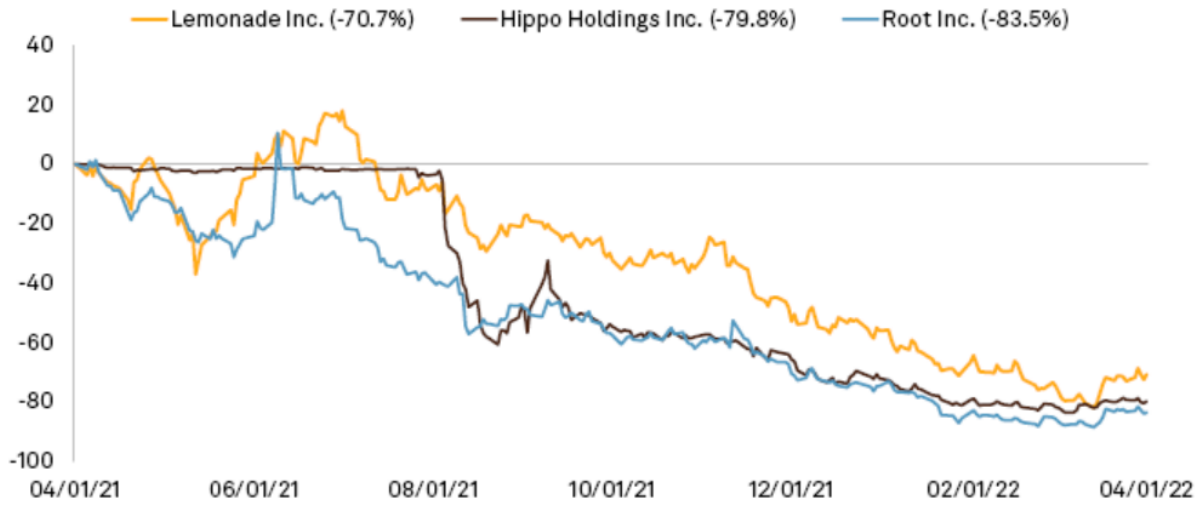
Start ups

Role of the Program Actuary



Understanding the interconnectedness of the whole business and identifying the levers available to the underwriters for their specific products

3 US insurtechs have seen stocks fall more than 70% in last year



Data compiled April 4, 2022.
Source: S&P Global Market Intelligence

Root: YTD -88%
Hippo: YTD -79%
Lemonade: YTD -46%
As of 10/21/2022



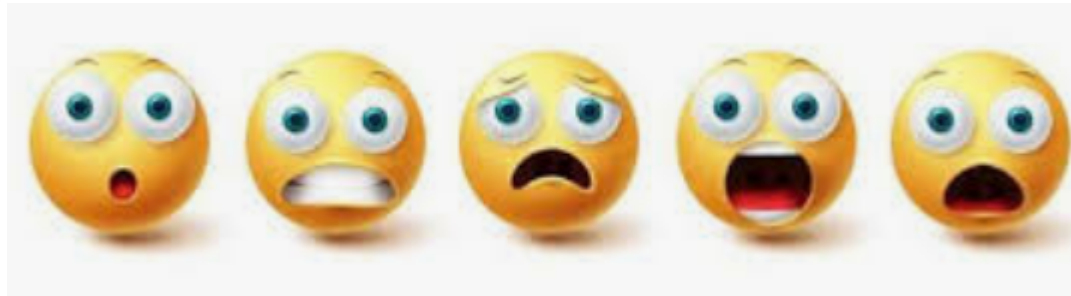
InsureTechs

Is tech the answer?

- ◆ They can get to the knowledge value first
- ◆ Technology will be an enabler
- ◆ Actuaries can spend more time analyzing!

Data - just as valuable to MGA/MGU/PA

“Since you don’t handle claims, you don’t need claim data”



Do you think AM Best Performance Assessment will be a valuable differentiator?

- A. What is AM Best PA?
- B. Yes
- C. No
- D. Don't know

How do MGA, MGU, PA measure up?

- ◆ AM Best will tell you with their Best's PA (Performance Assessment) rating launched in February 2022
- ◆ AM Best's PA reviews five considerations:
 - underwriting capabilities;
 - governance and internal controls;
 - financial condition;
 - organizational talent;
 - depth and breadth of relationships.
- ◆ AMWins garners the highest rating of PA-1 (Exceptional) in October 2022
- ◆ Best's PA rating can be a differentiator among the other estimated 1,000 MGA/MGU/PA...



Questions?