



# Intermediaries in Insurance – Focus on Managing General Agents (MGAs)

June 2024: Complimentary Abstract / Table of Contents

Market Report  
Insurance Information Technology



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- ▶ Payer and Provider Information Technology
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- ▶ SAP Services
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# Introduction

In the post-pandemic era, insurance enterprises focused on modernizing their underwriting and claims functions while making piecemeal investments in distribution channels. While insurers are now prioritizing the realization of maximum value out of their existing investments, there is an increasing momentum of fresh investments in augmenting the distribution function. Given the uncertainty, insurance enterprises need to take a proactive approach to assess their risk portfolio and strategically explore newer risks to remain profitable. They also need to actively seek ways in which they can navigate through some of these overarching macro- and micro-challenges.

In this report, we explore the insurance distribution landscape and answer critical questions from an IT services and technology perspective by identifying the challenges faced by stakeholders, beneficiaries of the changing dynamics in the current market, future possibilities, and the services and technology provider landscape.

As the insurance industry undergoes transformation, insurers need to embrace upcoming risks and product constructs such as cyber insurance and parametric insurance. Given their niche expertise in terms of regional and Line of Business (LoB)-specific nuances, we see interest from both insurers and investors in exploring the MGA opportunity. A majority of the leading insurers have already formed MGA partnerships in a bid to expand their market reach, identify profitable risks, and offer consistent experiences to their customers.

In this report, we also highlight the relevance of MGAs and the value creation potential offered by partnering with them. This can further support insurers in their bid to achieve increased cost savings, operational efficiency, and accuracy. It also holds the potential to minimize errors associated with human-centric processes and accelerate premium growth by unlocking higher sales efficiencies and rapid product innovation.

## Scope of this report

**Geography:** Global

**Industry:** Insurance

**Services:** Insurance IT and technology services

# Overview and abbreviated summary of key messages

The report explores the insurance distribution landscape and answers critical questions from an IT services and technology perspective by identifying the challenges faced by stakeholders, beneficiaries of the changing dynamics in the current market, future possibilities, and the services and technology provider landscape. We also highlight the relevance of MGAs and the value creation potential offered by partnering with them.

## Some of the findings in this report, among others, are:

**The next wave of modernization includes augmenting distribution channels and supercharging growth and experience differentiation**

- Distributors with niche capabilities and targeted value proposition have exhibited a spike in growth over the past 24 months

**Alongside a challenging business environment, insurers face challenges reaching the right customers with the right products and consistent experience**

- Limited investment in modernizing distribution channels in the post-pandemic era have hindered insurers' efforts toward driving a coherent distribution strategy

**MGAs are solving the distribution puzzle by focusing on four key parameters**

- MGAs have focused on digital transformation, product-market fit, skilled talent, and capacity supplier preference to gain an edge in insurance distribution

**Future of insurance distribution**

- Enhanced control over distribution channels for insurers, integrations for intermediaries, and seamless buying experience for customers will dictate the future of insurance distribution

**Implications**

- Insurers need to invest in a comprehensive technology adoption roadmap to transform their distribution strategy
- Providers need to have a targeted approach toward developing assets and forming partnerships

# This study offers 6 distinct chapters providing a deep dive into key aspects of Insurance Information Technology market; below are four charts to illustrate the depth of the report

## Hurdles for stakeholders in insurance distribution

	Experience	Cost/Profitability	Innovation	Value-adds
Customers	Lack of transparency in pricing and claim settlement processes	Dilution of perceived value due to complex products with intricate terms and conditions	Accessing insurance solutions that are seamlessly integrated with other products and services	Limited flexibility for customization to meet individual customer needs
Carriers	Fragmented multi-channel experience at high customer touchpoints such as onboarding and claims	Maintaining risk portfolio's underwriting profitability with appropriate risk distribution	Data silos, quality issues, and limited maturity of analytics to harness data effectively	Incoherent systems, limiting the ability to connect externally with the distribution ecosystem
Intermediaries	Aligning processes, systems, and communication across different channels	Managing dual mandates of pricing guidelines from carriers and coverage requirements for customers	Limited technology capability hindering translation of domain expertise to business value	Creating a niche without relying solely on price competitiveness

## MGAs are solving the distribution puzzle by focusing on four key parameters

**Four key parameters**

- Digital transformation**  
Proactively leveraging the insurance technology ecosystem
- Skilled talent**  
Continuous migration of talent from insurers, brokers, and agents to MGAs
- Product-market fit**  
Expertise in niche market segments to create a win-win situation between insurers and buyers
- Capacity supplier preference**  
Increasing preference of allocation by risk capacity providers

**Models of engagement with MGAs**

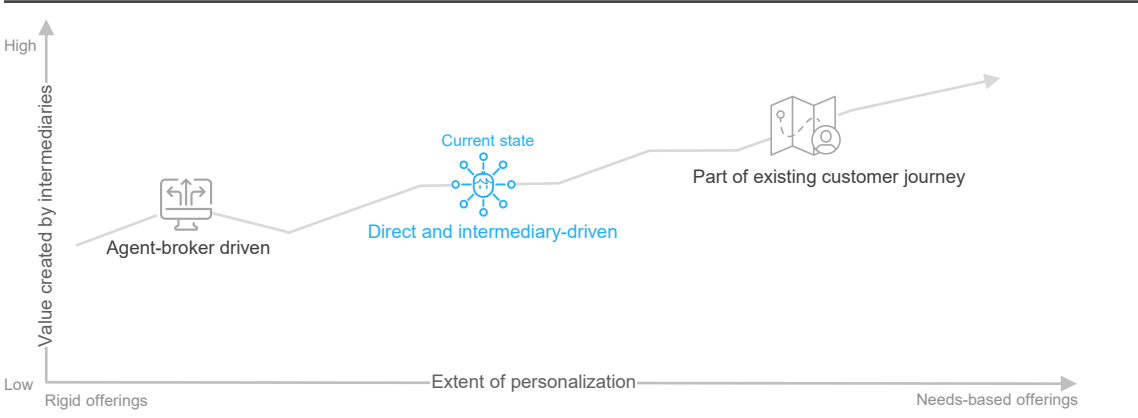
- Sourcing new business**  
Typically accounts for 5-10% of the carrier's Direct Written Premium (DWP) with an intent to expand distribution reach
- Hybrid model**  
Typically contributes to 25-75% of the DWP, enabling insurers to scale specific offerings
- Capacity providers**  
Insurers typically allocate more than 80% of their distribution and underwriting to MGAs

**“** There have been minimal casualties in the MGA space through the economic challenges and the firmer insurance market of recent years. With every month that goes by, and with more capital becoming available, the confidence of the sector will continue to increase.  
– Charles Manchester, Chairman, MGAA

**“** The MGA market is now a very serious space for insurers. MGAs that can demonstrate they can profitably underwrite something that the insurer could not do by itself will be the ones to attract capital despite the economic conditions.  
– Will Morris, Strategy and Development Manager, Carbon Underwriting

**“** I have nothing but confidence in the direction of travel for MGAs. MGAs are now very much part of the fabric of the insurance industry and have created real loyalty with their broker distribution channel pre, during, and post-pandemic.  
– Michael Keating, CEO, MGAA

## Seamless buying experience will dictate the future of insurance distribution



## Implications for insurers

- Realize synergy by modernizing data and analytics capabilities** to leverage historical data effectively, combined with the agility in product development and underwriting provided by MGAs
- Manage risk exposure** to market segments in terms of LoBs and regions to identify expansion opportunities using the niche regional and LoB-specific expertise offered by distribution channels
- Track the dynamic compliance norms** across regions and distribution partners to avoid any imposition of fines and business interruptions
- Establish stringent cybersecurity measures** in compliance with data protection regulations such as GDPR to reduce the risk of data breaches and malware attacks
- Invest in building a competent talent pool** with functional knowledge across cloud-based technology stacks capable of translating technological capabilities to business value

# Research calendar

## Insurance Information Technology

Published **Current release** Planned

Reports title	Release date
Unleashing the Potential of Generative AI: A Game-changer for Property and Casualty (P&C) Insurance Claims	August 2023
Insurance IT Services Specialists	August 2023
Cloud Services in Insurance PEAK Matrix® Assessment 2023	October 2023
Cloud Services in Insurance – Provider Compendium 2023	December 2023
Low-code Technology Providers in Insurance – Products PEAK Matrix® Assessment 2023	January 2023
Low-code Technology Providers in Insurance – Provider Compendium 2023	January 2023
Transforming Insurance: Creating a Best-of-Breed Model by Combining Low-code and Core Platforms	March 2023
Exploring Generative AI's Role in Reshaping the Future for BFSI Enterprises	April 2024
Property & Casualty (P&C) Insurance State of the Market 2024	May 2024
Duck Creek Services PEAK Matrix® Assessment 2024	May 2024
<b>Intermediaries in Insurance – Focus on Managing General Agents (MGAs)</b>	<b>June 2024</b>
Guidewire Services PEAK Matrix® Assessment 2024	Q2 2024
Life and Annuity (L&A) Insurance IT Services PEAK Matrix® Assessment 2024	Q2 2024
Life & Annuity (L&A) Insurance State of the Market 2024	Q3 2024
Insurance IT Services Specialists PEAK Matrix® Assessment 2024	Q3 2024

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