

# Are MGAs the Future of Underwriting?



Lon Chang, FCAS  
VP & Pricing Actuary  
Ascot Insurance



Denise Olson, FCAS, CPCU  
VP & Head of New 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



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

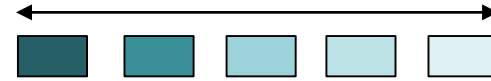
## Key Characteristics

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

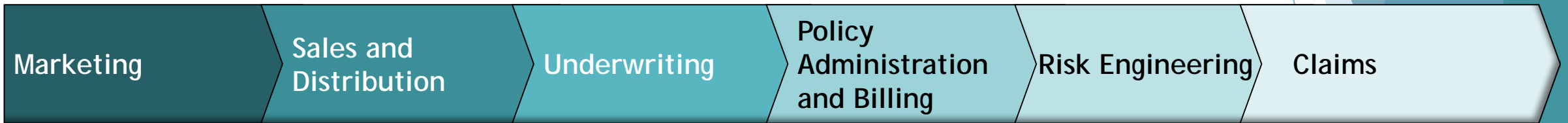
# Division of labor

## Activities performed by the MGA / PA

Performed  
*Frequently*



Performed  
*Infrequently*



### Key Characteristics

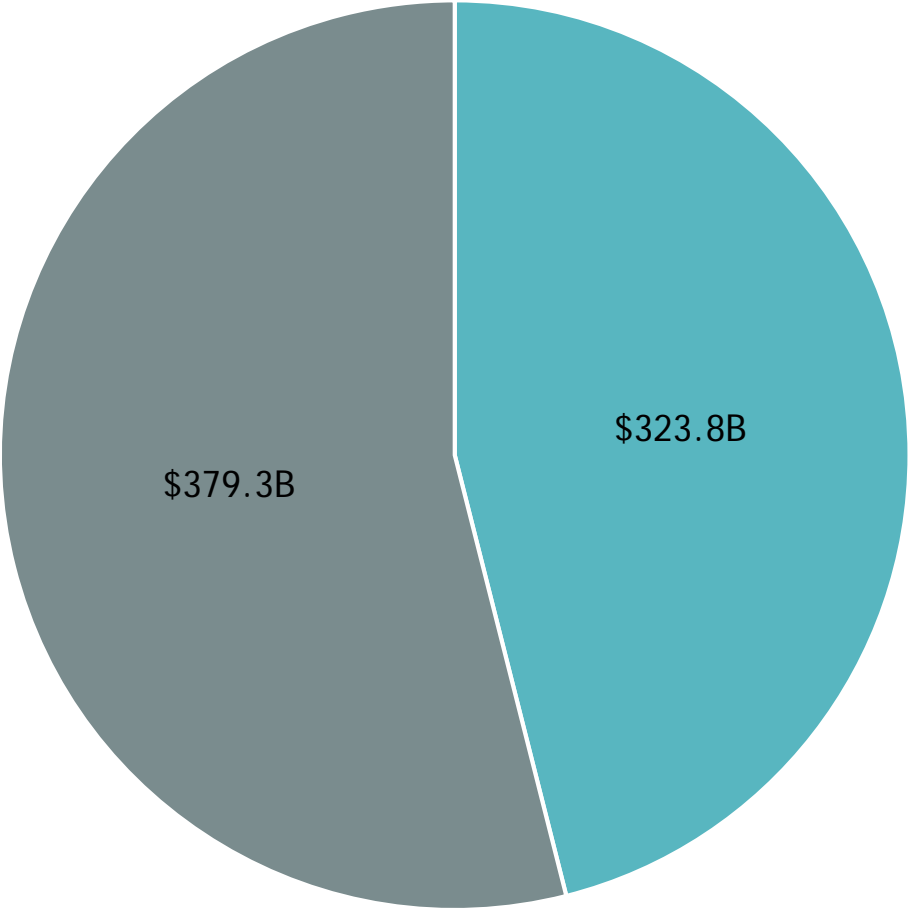
- Acts on behalf of the insurance company
- Contracts, Underwriting guidelines and Authority Statements create parameters for behavior
- Deep knowledge in niche
- Strong oversight
- Forms and rates negotiated

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

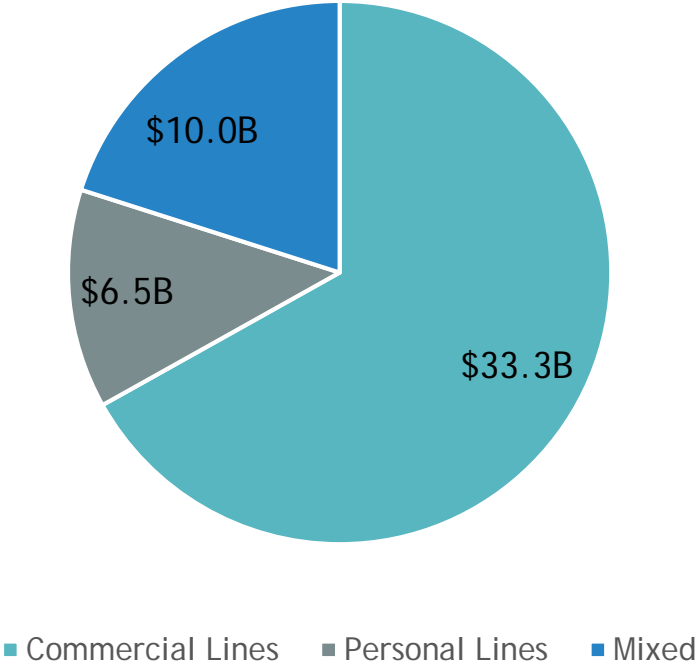
- A. Immaterial <5%
- B. Small 5-10%
- C. Medium 11-25%
- D. Large >25%

# 2019 MGA Market Space<sup>1</sup>

US P&C Market (DPW)



US MGA Market (DPW)



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

<sup>1</sup>content from ©2020 Conning, Inc. - used with permission

# 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

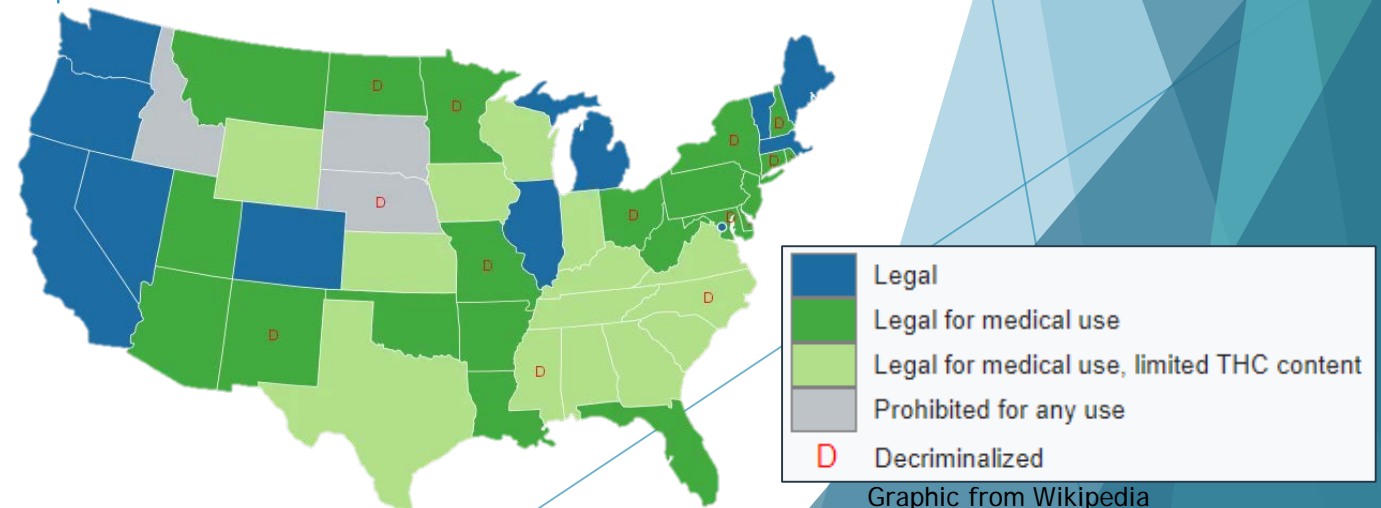
### Favorable trends

- ▶ 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

<b>Recreational</b> 11 States + DC
<b>Medicinal</b> 36 States
<b>Prohibited</b> 3 States

### 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?

- 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



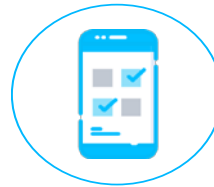
Site Safety & Risk Mitigation



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?