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September 2024

MGA Strategic Priorities 2024



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“MGAs play an integral role in the insurance distribution value chain, sitting between other intermediaries, such as retail or wholesale brokers and insurers, providing a unique value proposition for all parties.”

Market Overview

MGAs play an integral role in the insurance distribution value chain, sitting between other intermediaries, such as retail or wholesale brokers and insurers, providing a unique value proposition for all parties. Insurers find greater flexibility and choice in partnering with MGAs rather than establishing their own dedicated insurance operations for niche business segments. McKinsey noted in a 2022 article that “among the top 100 U.S. property and casualty insurers, 43%—including seven of the top ten—have at least one MGA relationship through which to source new premiums.”¹

In the AM Best report dated May 22, 2024, they note that in 2023, direct premiums written (DPW) generated by MGAs grew 8.6% year-over-year to \$77 billion, following robust growth in 2022 of 19.5% and 17% percent in 2021, demonstrating the importance of MGAs in the insurance market.² The 2024 annual MGA report by Conning further notes that the MGA market will continue to outpace the broader property-casualty market in terms of growth, primarily due to MGAs’ appeal to both talent and capacity providers.³ AM Best further noted that many insurers are using a hybrid model and have some programs managed by MGAs, with in-house underwriters managing other programs, helping to grow premium market share through MGAs.

Further supporting this growth is the access to capacity and capital from new funding approaches including insurance-linked securities, collateralized reinsurance, reciprocal exchanges, insurers, reinsurers, and private equity. The growth is a recognition of the market opportunity for MGAs to help insurers and reinsurers

grow their premium, expand into new markets and geographies, leverage underwriting expertise, and leverage a new business model and technology foundation that offers greater speed to market capabilities. This is a key reason why MGAs are attracting top talent, from underwriters to technology professionals and capital from private equity companies for startups.

The AM Best report notes that private equity investment allows insurers to capture market opportunities they might not otherwise be able to. These firms help create significant value through data and analytics and new technology foundations to create innovative and efficient quote-to-bind, underwriting, servicing and claims business models, for traditional and niche products. MGAs leverage their deep understanding of unique risks and strong agent relationships.

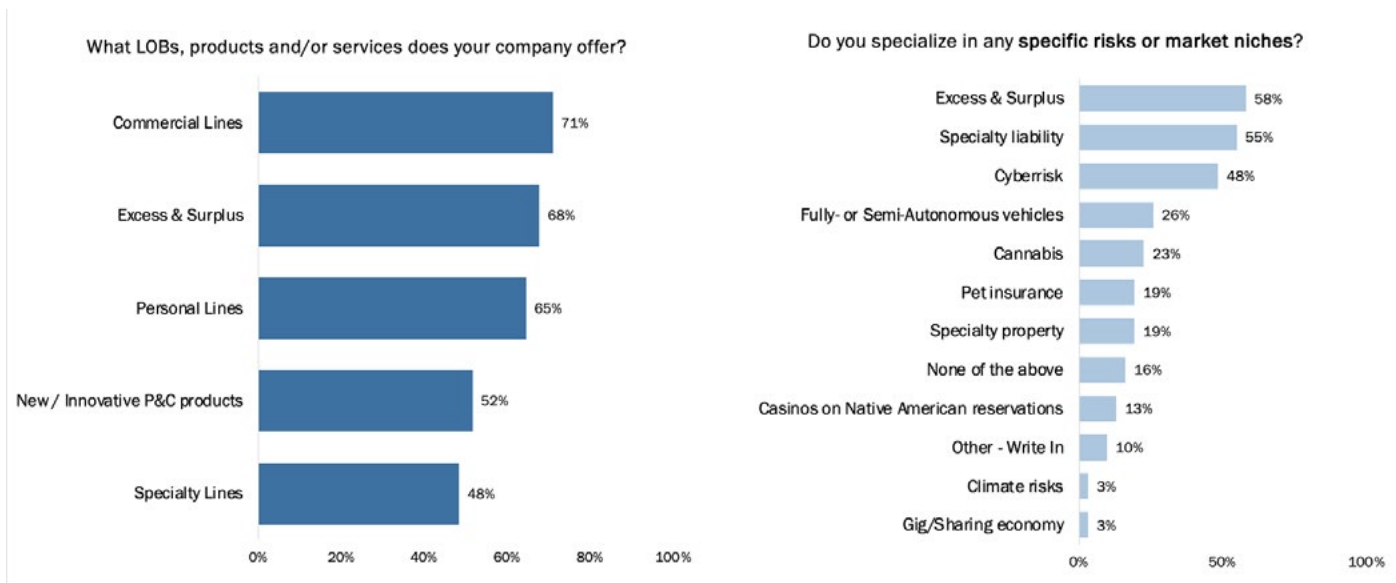
With the growing volatility of risk, insurers pulling out of markets, and increased insurance exposure across many lines of business, MGAs and E&S products are uniquely positioned to meet these challenging demands. They are innovating and creating new digital business models that provide new products and experiences for customers, particularly for those in volatile risk markets.

Given the growing importance of MGAs represented by the significant multi-year growth that shows no signs of slowing up, this research delves into this market segment to understand their strategic priorities, from the business through technology. Furthermore, the report will contrast the MGA survey results to the insurer strategic priorities survey results we published earlier in the year.

Within the MGA ecosystem, the companies surveyed included Affiliated MGA, Wholesaler, Unaffiliated MGA, MGU, Program Administrator, and Lloyd's Coverholder. The products and specific risks or market niches were heavily focused on E&S, commercial and specialty lines as shown in Figure 1. Interestingly, personal lines were

relatively high as well, likely reflecting the increased need for high-risk personal lines insurance, particularly for property in the US market. The increased frequency, severity, and ongoing threat of cat events – with 19-billion-dollar events already in 2024 recorded – the need for personal lines will not abate any time soon.

Figure 1
Lines of business and specific risks/niches covered by survey respondents



MGAs' strong customer relationships, robust business and technology foundations, and specialized expertise for risks and underwriting differentiate them in the market, providing insurers and reinsurers with risk management expertise they lack within their own organizations. This makes MGAs strong first movers in a rapidly changing world of risk. The research highlights MGAs' sharp focus on operations and technology, and their forward-thinking leadership that drives optimization, growth, and long-term business innovation.

As the insurance market continues to adapt and evolve, winners will be aligned to the realities of today – MGAs focused on unique, complicated risks and insurers and reinsurers on the partnerships they establish with MGAs. Accomplishing this requires a foundation, both operationally and technologically, to achieve operational

optimization, cost-effective scalability, and agility to adapt as risk and market needs shift through innovation.

For MGAs, as you read this report, think about how your priorities align to other MGAs. Are you making the right decisions relative to your operational and technology foundation?

For insurers and reinsurers, as you establish MGA partnerships, what key capabilities do you expect from them, beyond product and underwriting? Will they be able to integrate with you effectively? How do your priorities compare to MGAs – do they leave you falling behind?

If you find you are lacking in focus or priorities, make a course correction so that you are prepared as we continue down a path of accelerated change and disruption.



State of the MGA Business

The breakneck pace of change, particularly with emerging risk and technology, is challenging the strategies and plans of MGAs. As InsurTech has matured and advanced, and private equity has accelerated investment in MGAs, we are seeing the value of first-mover status.

Whether bringing new products to market, expanding to new niche markets, or leveraging data and analytics and technology, those demonstrating strong growth, expanded insurer and reinsurer relationships and market presence are taking advantage of first mover-status. First movers respond by strengthening business fundamentals and foundations, while meeting the challenges of a

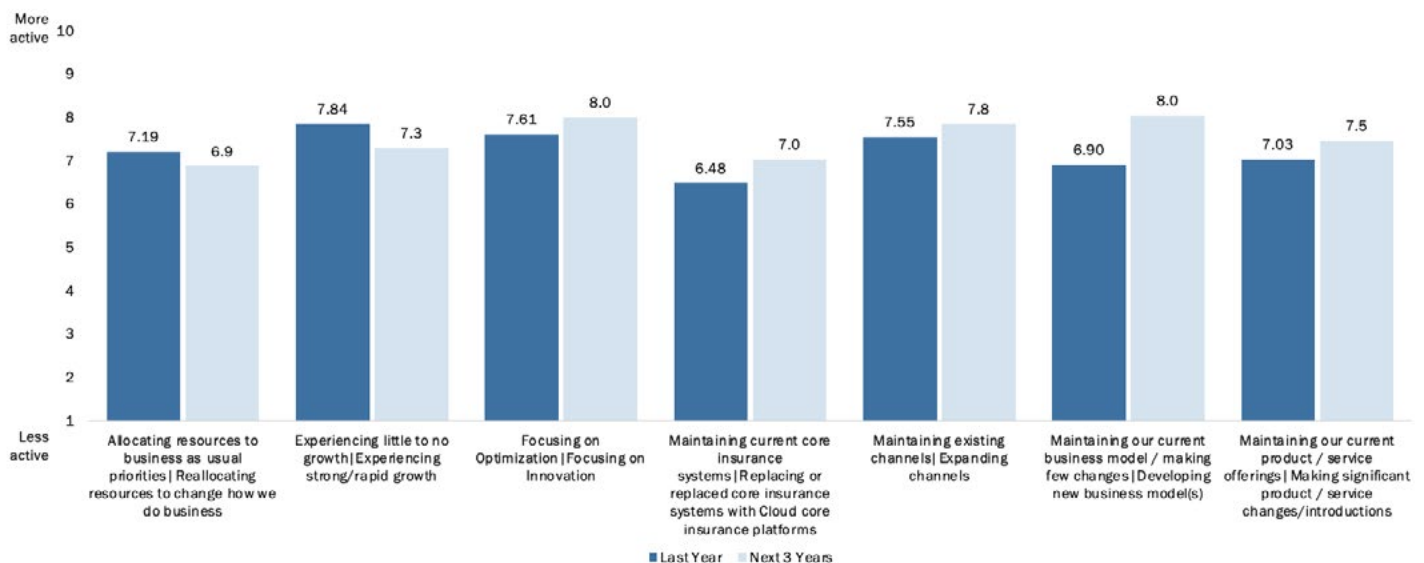
changing market as seen in Figure 2.

State of the Company Last Year and Next Three Years

When comparing last year to the next three years, MGAs are shifting their focus from business as usual to creating the business and technology foundation needed to compete in an increasingly complicated world of risk. This requires expanded use of data and analytics for assessing and underwriting risk, new products, and cloud core systems to meet the demands of a different operating model and channel network.

Figure 2

MGAs' assessments of their business last year and expectations for the next three years



The 2024 Conning report reinforces this focus, with MGAs indicating the abundance of market opportunities, but with an increased need for specialization and nimbleness

to effectively serve a growing number of niche markets emerging due to increasing and shifting risks, allowing them and their partners to capture market share.

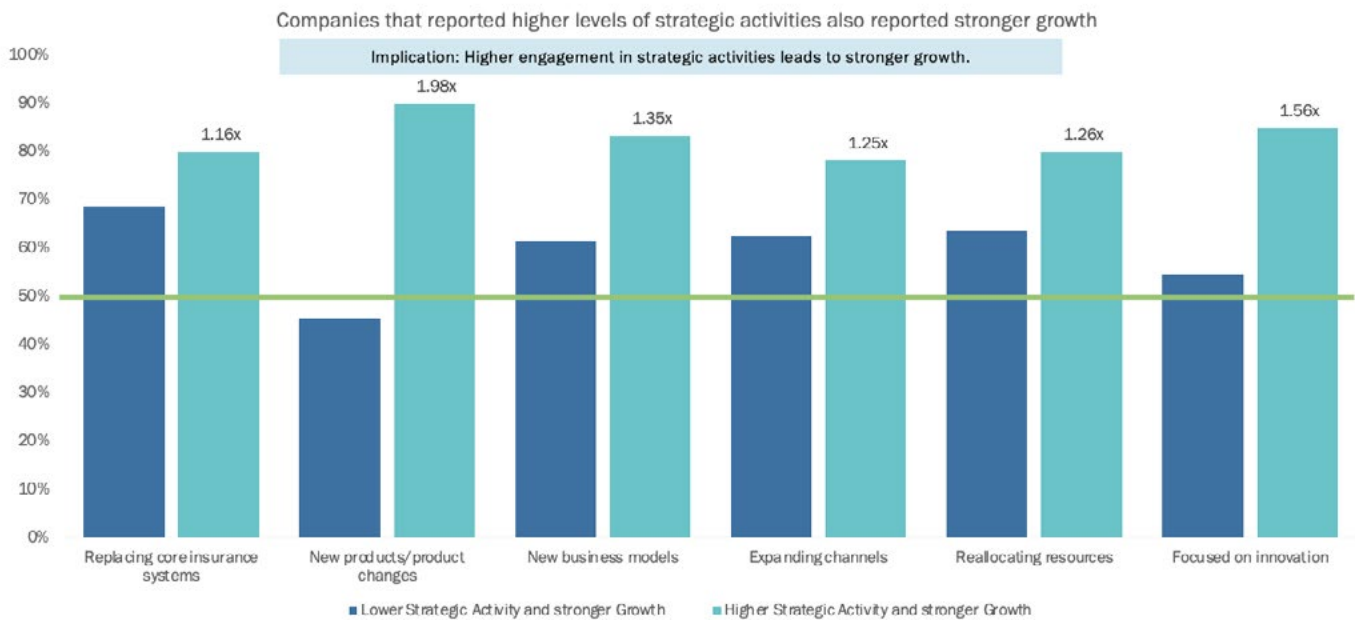
Capturing the market opportunity and driving growth requires a focus on strategic priorities that power their ability to be nimble, specialize, and leverage their underwriting expertise effectively. Our research highlights this in Figure 3.

The right investment across key areas makes a substantial difference in growth. Those focused on and investing in replacing legacy core, creating new products,

defining new business models, expanding channels, reallocating resources to the future business, and innovation initiatives report significantly higher growth than those who do not – from 1.16 to 1.98 times difference.

Not surprisingly, new products and product changes as well as innovation stand out – two areas of unique strength for MGAs.

Figure 3
Higher engagement in strategic activities leads to stronger growth



“Capturing the market opportunity and driving growth requires a focus on strategic priorities that power their ability to be nimble, specialize, and leverage their underwriting expertise effectively.”



Top-of-Mind Issues

The insurance market is facing many headwinds, driven by heightened volatility in financial markets, economic activity, and increased risk environment. Navigating this uncertainty is not for the faint of heart. It requires leaders to diligently execute on their strategy and adapt where they need to remain relevant and competitive in this fast-changing market landscape.



Reflecting this new reality in Figure 4, MGAs' top-of-mind issues **reflect market challenges in terms of their business model and technology foundation being out of step with a new reality taking hold**. Operations, technology and economic issues are the top three categories, with the other four not falling far behind.

Figure 4

MGAs' Top-of-Mind issues

Top-of-Mind Issues - MGAs			
Operations			
Profitability	8.5		7.6
Growth (markets, policies, premium)	8.0		
Regulatory Changes	7.1		
Operational costs	7.0		
Technology			
Technology advancements	7.9		7.4
Re-keying data into multiple systems	7.2		
Legacy technology	7.1		
Economic			
Access to reinsurance capital	7.7		7.4
Economic issues (inflation, interest rates, supply chain, etc)	7.4		
Rising reinsurance costs	7.1		
Customers			
Distribution Channel Expansion	7.8		7.2
Shifting customer expectations for buying insurance	7.1		
Shifting customer demographics for buying insurance	6.8		
Risk			
Cyber risk / data security	7.6		6.9
Crime	6.7		
Climate change and severe weather impact	6.3		
Talent			
Talent (retention, availability)	7.3		6.9
Aging workforce / retirements	6.8		
Expanding talent to gig / contractor resources	6.7		
Employees wanting to choose how they work	6.6		
Competition			
New competition from tech giants outside the industry	7.1		6.6
Increasing competition from traditional insurance competitors	6.9		
New competition from InsurTech, startups, MGAs, etc	6.7		
New competition from outside the industry	5.9		

Based on a 10-point scale where 1 meant "Not at all" and 10 meant "Very much"

In an increasingly complex risk environment, the patchwork of legacy, spreadsheets, and manual solutions cannot keep up with the demands of leveraging expanding data, advanced analytics, underwriting workbench and core solution capabilities to effectively assess and underwrite risk, engage agents and customers, empower decision-making, and meet the growing demands of partner insurers and reinsurers. Even more important is the likely growing oversight from AM Best and other regulatory organizations that will expect a more robust business and technology foundation.

This aligns with the Conning report, which found that:

- 1 Volatility and coverage gaps across several lines of business have resulted in a shift to the E&S market, where MGAs are key.
- 2 Technology is a great source of opportunity and is increasingly a foundational requirement to be competitive.
- 3 The increase in capacity from a variety of sources is allowing programs to expand and scale.
- 4 Demand for talent and expertise is a key driver for profitable growth, with the use of technology a key element to attract talent.

“The state of MGAs is very much in flux with a focus on transforming, optimizing and innovating the business to meet the increasing market, regulatory, and customer demands.”



Strategic Initiatives

Similar to the insurer strategic priorities survey, we organized strategic initiatives into four categories with an additional category for M&A, as reflected in Figure 5. While the category Optimize leads, there is very little difference between the four main categories, reflecting that the state of MGAs is very much in flux with a focus on transforming, optimizing and innovating the business to meet the increasing market, regulatory, and customer demands.

Within the four categories, the top five initiatives are:

- 1 Entering new markets (8.2)
- 2 Pricing and rating transformation (7.9)
- 3 Improving customer experience (7.9)
- 4 Expanding use of advanced data and analytics (7.7)
- 5 Improving agent experience (7.7)

These all relate to the unique strengths of MGAs – niche products, underwriting expertise, and agent relationships. Accomplishing these to scale and optimize the business requires technology investments, leveraging next-gen architectures with native cloud, API first, microservices, headless, and embedded analytics. Legacy, AMS or spreadsheet-based solutions no longer suffice.

Figure 5
MGAs' Strategic Initiative priorities

Strategic Initiatives - MGAs		
Optimize		
Improving the customer experience	7.9	7.4
Expanding use of advanced data & analytics	7.7	
Improving the agent experience	7.7	
Enhancing current products and services on current system	7.5	
Reinsurance Management	7.5	
Building risk prevention / risk resilience capabilities	6.7	
Enhancing current business model on current system	6.5	
Ecosystem		
Establish/enhance ecosystem of technology solution partners	7.5	7.2
Distribution expansion through ecosystem of channel partners	7.4	
Connecting to digital marketplaces	7.3	
Engaging with/invest in InsurTechs	6.8	
Innovate		
Entering new markets	8.2	7.2
Handling multi-state risks/state expansion	7.5	
Transform current business model with new cloud core system	7.0	
Innovation initiatives	7.0	
Developing new innovative products on new cloud core system	6.7	
Creating new business model on new cloud core system	6.7	
Transform		
Pricing and Rating Transformation	7.9	7.1
Claims Transformation	7.2	
Loss Control Transformation	7.1	
Policy Transformation	6.9	
Underwriting Transformation	6.9	
Billing and Payments Transformation	6.8	
Distribution Management Transformation	6.7	
M & A		
M&A: Being acquired by another company	6.7	6.5
M&A: Acquiring other companies	6.4	

Based on a 10-point scale where 1 meant “Not at all” and 10 meant “Very much”

Technology is a key differentiator for MGAs to compete with large insurers and ensure profitable underwriting. The rapid advancement of native cloud solutions with subscription-based pricing based on DWP has offered more options for MGAs to create a technology foundation to transform and optimize their business, while also innovating with new products and using advanced data and analytics to give them a competitive edge. The result is greater value for their business, their insurance and reinsurance partners, agents and customers.

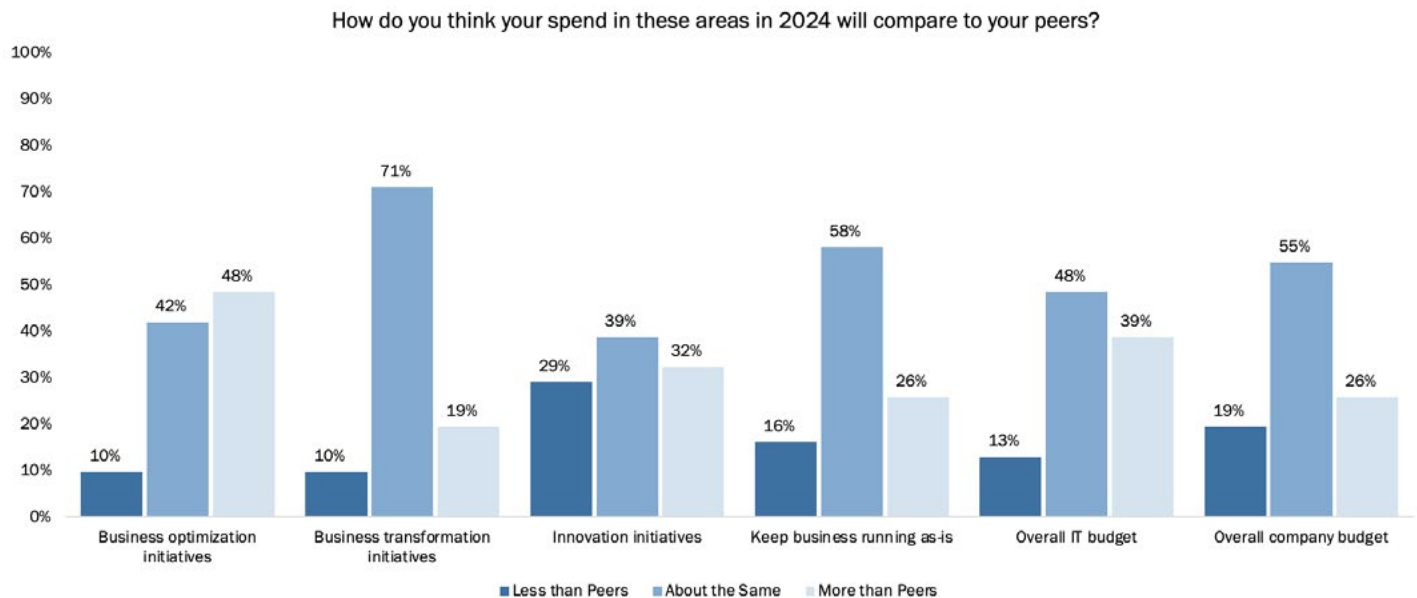
With their increasingly important role, investment in a solid technology foundation is a must to minimize their own operational and financial risk. Staying ahead of the

technology curve is mandatory in an increasingly data and tech-driven industry.

Budget Priorities

With increased focus on these strategic initiatives, it would be reasonable to expect that budgets would reflect these priorities. Unfortunately, there is a misalignment as they consider what they are spending in comparison to their peers, as reflected in Figure 6. Most appear to believe their budget is the same with the exception of business optimization, where they believe they are spending more than their peers.

Figure 6
MGAs' expected 2024 spend compared to their peers



That is a questionable assessment, particularly given the number of PE-backed MGA startups and the number of MGAs acquired by PE firms that are raising the bar by creating significant value through the use of advanced data and analytics and next-gen technology to create highly efficient, optimized and profitable businesses with better cost ratios, combined ratios, and business results in a highly fragmented MGA marketplace.

The biggest risk for an MGA is for the insurer relationship to be reduced or stopped, resulting in a lack of capacity to sell and underwrite their products. MGAs can minimize this risk operationally through increased spending on technology to truly transform, optimize, and innovate the business to remain relevant in a fast-changing marketplace.



Competitive Differentiators: Business Priorities and Plans

With their unique position in the market, MGAs have key competitive differentiators that distinguish them. These include niche and product expertise, strong partnerships, use of technology, personalized customer and agent experiences, optimized operating model, and a focus on innovation.

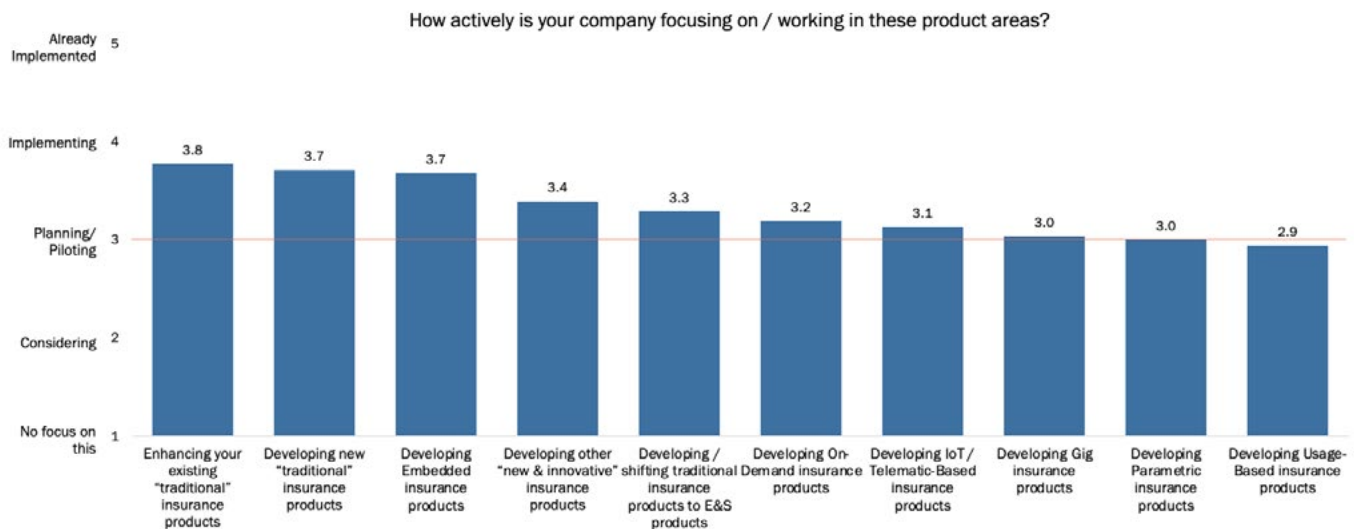
New MGAs have an advantage in that they are setting up the operating model and technology foundation from the bottom up – no legacy debt. Those with legacy are more challenged, particularly because they often have a combination of technology, spreadsheets and manual work that has seen underinvestment over time. Rethinking the business operating and technology foundation, as highlighted in their strategic priorities, is more important than ever, allowing the MGAs to focus on their value to the market.

Products & Value-Added Services

MGAs are keenly focused on new products, their “super strength.” MGAs recognize the challenges of today’s marketplace with increasing risk and the demand for both traditional and new products, as reflected in Figure 7. All of the product areas with the exception of one, developing usage-based products, are above average with rankings of 3.0 – 3.8. This bodes well for MGAs, with positive long-term impact to customer and revenue growth.

They are positioning and differentiating themselves as leaders. They are ahead not only in traditional products, but also in developing other “new & innovative,” embedded, and E&S products --- areas with continued growth opportunities.

Figure 7
MGAs’ level of activity in developing products

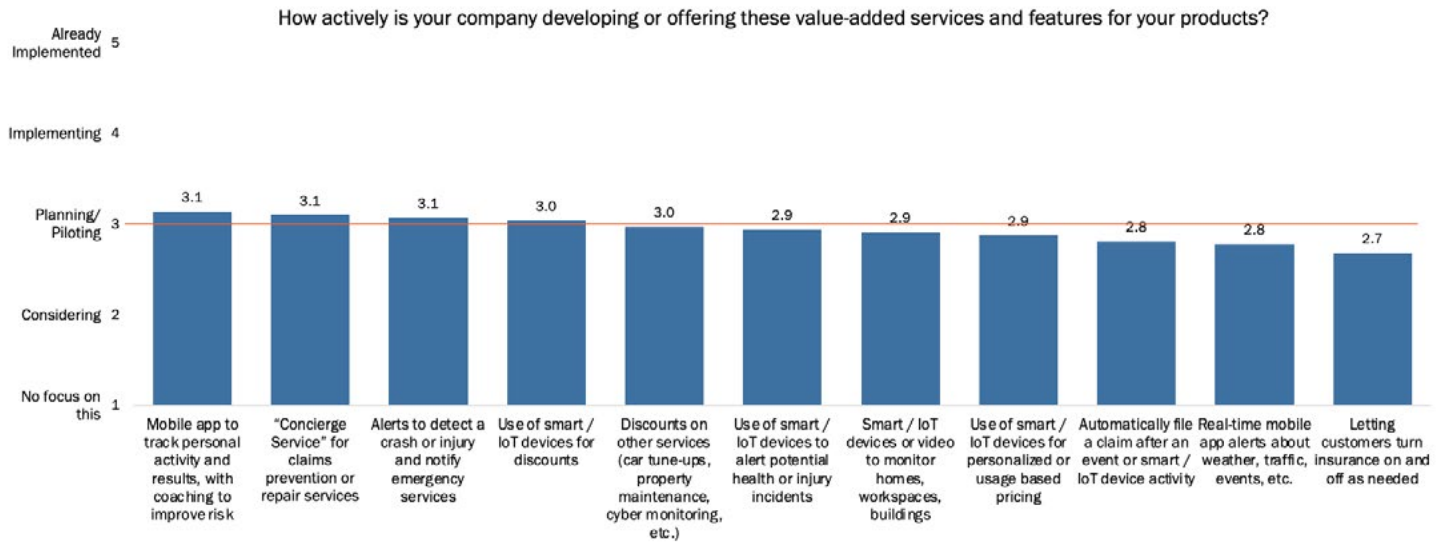


In contrast, value-added services do not rank as high as reflected in Figure 8. Only 5 of the 11 value-added services are above average with a range of 3.0 – 3.1. Given the nature of MGAs’ focus on complex, niche risks this is not surprising as these services tend to be more valuable for traditional personal or commercial products

like auto or property.

However, keeping an open mind to these as part of a product will be important as the demand for them continues to rise, as we have seen in the Majesco consumer and SMB research.

Figure 8
MGAs’ level of activity in developing value-added services



Core and Operational Solutions

Depending on the size, MGAs use either traditional insurer core solution suites or AMS solutions as the foundation for their operation and management of their products and book of business. As noted in the Datos

Insights 2023 report, Property/Casualty MGA Core Systems: Overview and Solution Providers, these should include architectural elements including Cloud/SaaS, single vs. multi-tenant, and APIs for integration.⁴

However, given the focus on digital experiences for agents and customers and data and analytics as competitive differentiators, the architectural foundation of core solutions should include all of the following elements:

- 1 **Cloud-Native Architecture**
Leverage the full potential of cloud computing to enable scalable and containerized application creation and deployment. Experience enhanced scalability, elasticity, and automation, empowering the business to adapt swiftly to changing demands
- 2 **Open API Standards Compliance**
Seamlessly integrate with third-party services using adherence to Open API standards, ensuring superior interoperability and easy collaboration.
- 3 **Fully Headless Architecture**
Embrace a completely headless approach for enhanced flexibility and adaptability. Respond swiftly to evolving market demands and user preferences, staying ahead of the competition.
- 4 **Microservices and Containerization**
Benefit from isolated and portable application encapsulation, seamless scalability with microservices, enhanced resource efficiency, rapid deployment and rollbacks, DevOps enablement, infrastructure agnosticism, and improved security through reduced attack surfaces. Drive innovation, efficiency, and competitiveness in today's fast-paced digital landscape.
- 5 **Embedded Analytics in Core**
Integrated advanced analytics, including business intelligence, AI/ML models, and Generative AI create an intelligent core that propels insurers into the future of insurance innovation and customer-centric experiences with an ability to launch new products, value-added services, personalized experiences, and innovative channels.



Elevating MGAs’ business operation with a next-gen, intelligent technology foundation built on a robust next-gen architecture is now a must-have to compete and meet the digital demands of both today and tomorrow. It is a paradigm that signifies a groundbreaking leap in software design, fueled by the pillars of modern innovation: cloud-native, API-first, microservices and containerization, headless, and embedded analytics.

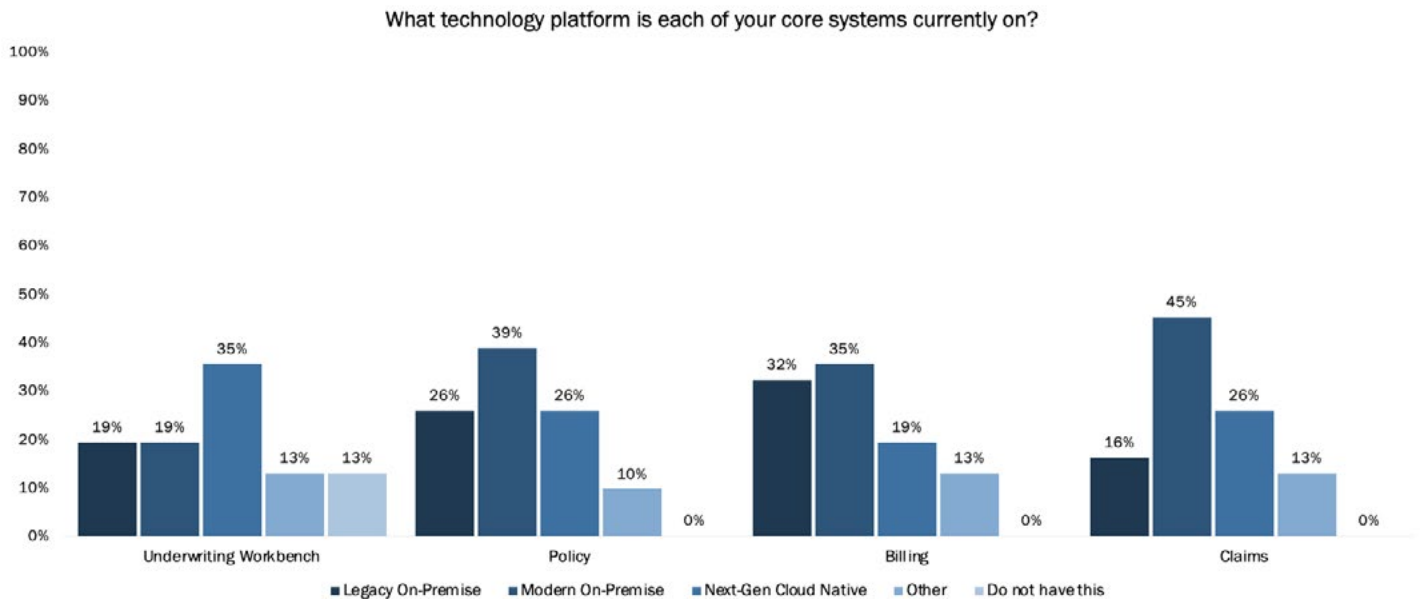
Unfortunately, many MGAs are well behind in moving to Cloud, let alone leveraging the other technical architecture elements as seen in Figure 9. Only Underwriting Workbench stands out with just 38% on legacy or modern legacy on-premise solutions as compared to policy, billing and claims that have 65%, 67% and 61% not in the Cloud, putting them at a significant

disadvantage competitively. The shift to Cloud is expected and necessary to support increasing operational demands, digital needs, and upgradeability to take advantage of innovations like GenAI.

As investors increasingly look to the MGA market, technology use will be a key factor in determining investment. Likewise, as AM Best looks to assess and monitor the market, they too will be looking at the use of technology no differently than they do for insurers. This will put pressure on MGAs to move off their legacy solutions, sooner rather than later.

MGAs must reevaluate their core systems and implement next-gen solutions that will strengthen their competitiveness today and in the future.

Figure 9
MGAs’ current core system technology platforms



“Elevating MGAs’ business operation with a next-gen, intelligent technology foundation built on a robust next-gen architecture is now a must-have to compete and meet the digital demands of both today and tomorrow.”

When looking into ancillary solutions beyond core, the top 5 areas of upgrading, replacing or adding net new are heavily focused on their strength in products, pricing, and underwriting as seen in Figure 10, including:

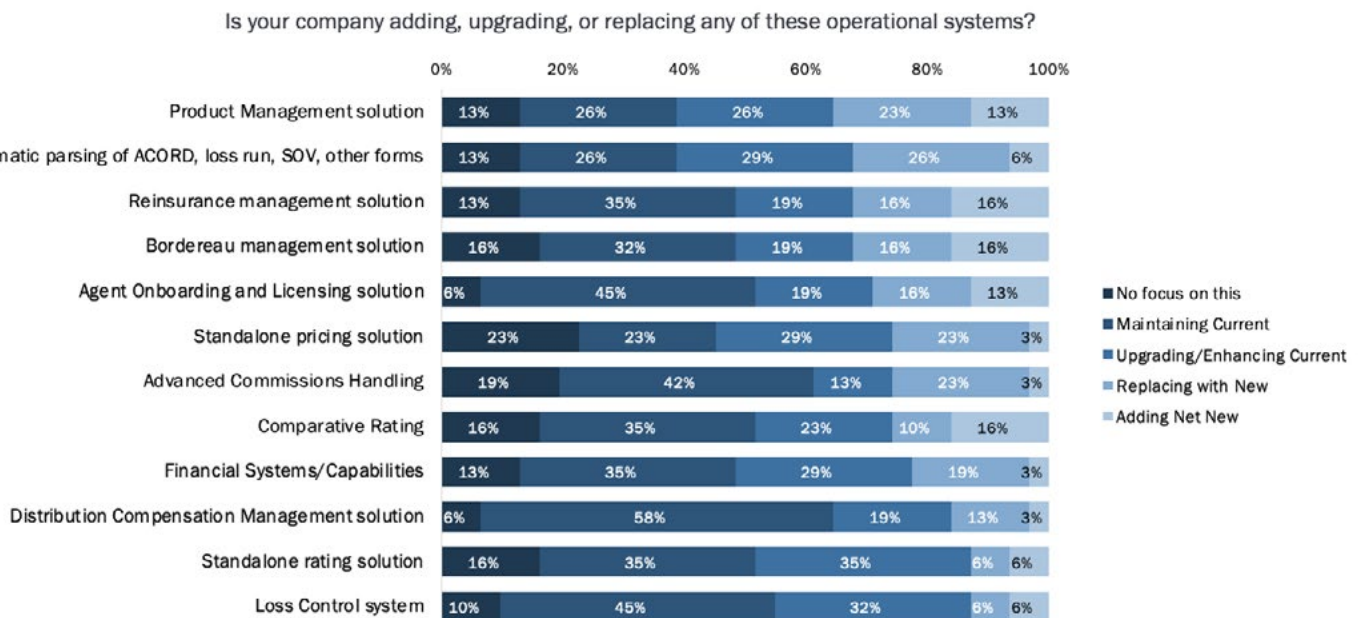
- 1 Product management
- 2 Automatic parsing of ACORD, loss runs or other forms
- 3 Standalone pricing
- 4 Reinsurance management
- 5 Bordereau management



However, the second priority highlights the continued use of legacy solutions and the challenge of capturing this information in a data format that can be used with AI/ML

models and more. Doing so would significantly improve data capture quality, consistency and allow MGAs to do more with the data.

Figure 10
MGAs' plans for changes to operational systems



Data & Analytics

The Future of AI Insurance report published by Reuters in 2023 highlights how insurance is investing in and integrating AI, particularly generative AI, to transform how to manage risks and serve customers. However, the report reveals a stark divide across the industry, with those embracing AI reaping benefits while others risk falling behind.⁵

Data and analytics are foundational to the industry and have been a stalwart for decades, through reporting, business intelligence, and more recently, predictive models. The rapid adoption of AI, ML and now GenAI, has turned data and analytics into a near-term reality and a must-have that is upending and accelerating the focus on investment and adoption.



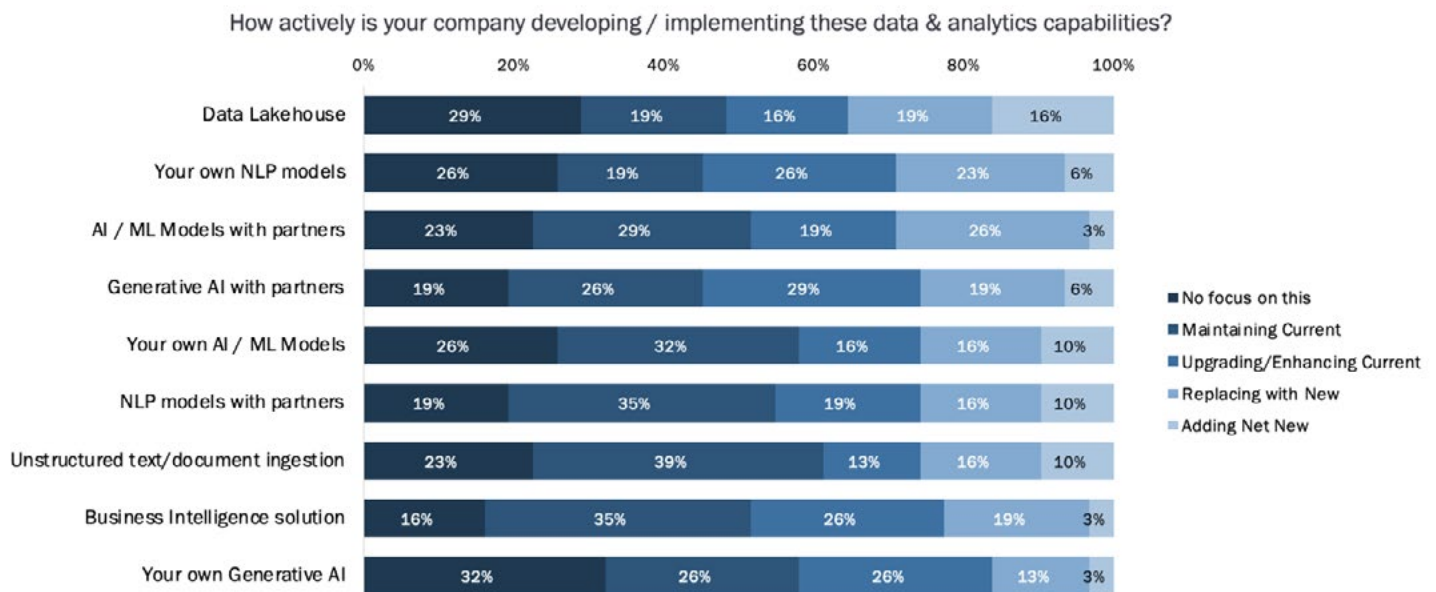
This is equally important, if not more so for MGAs given the niche products and markets that are driven by data and analytics. This importance is reflected in Figure 11 with a strong focus on key areas for upgrading, replacing or adding new for these top 5 areas:

- 1 Generative AI with partners
- 2 Own NLP models
- 3 Data Lakehouse
- 4 Business Intelligence
- 5 Own AI/ML models

Advanced data and analytics capabilities are critical to optimizing MGAs competitive differentiators of product

design, pricing, and underwriting profitable business.

Figure 11
MGAs' plans for changes to data & analytics capabilities

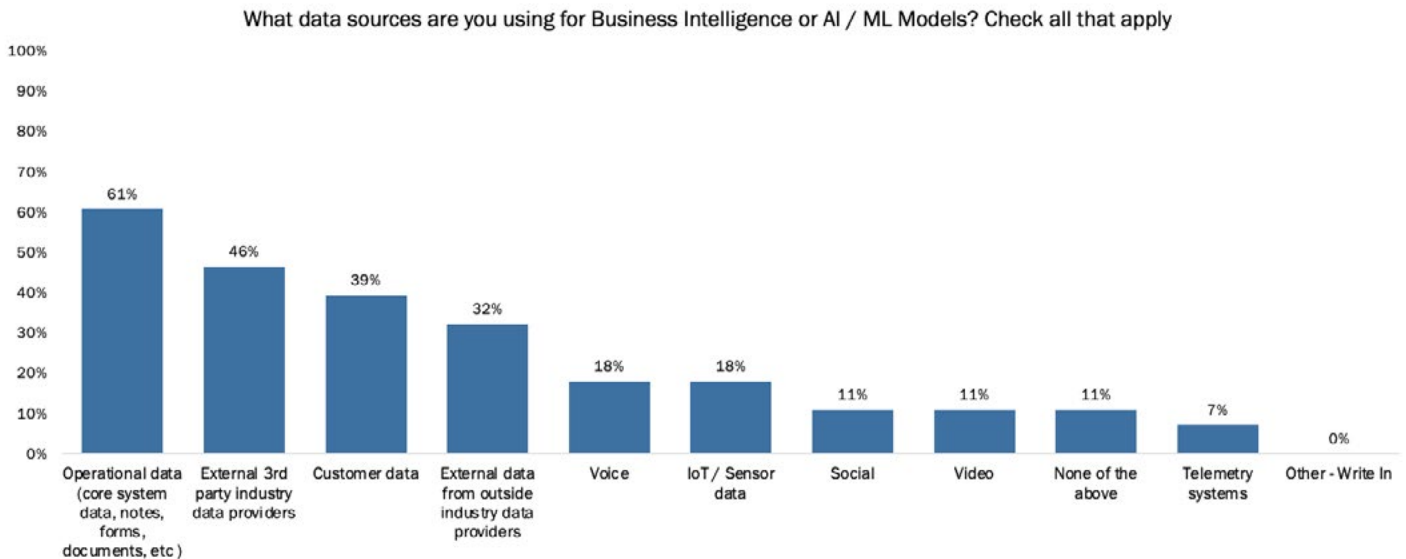


Use of data sources by MGAs is heavily focused in four areas: operational data, 3rd party data, customer data, and external data outside the industry as shown in Figure 12. Given the uniqueness of the products, operational data

is crucial. Helping to bridge this is access to contributory databases from core system vendors of operational data from a broader pool of insurers and MGAs, which enables the models to be better trained and impactful.

Figure 12

Data sources used for Business Intelligence or AI/ML models

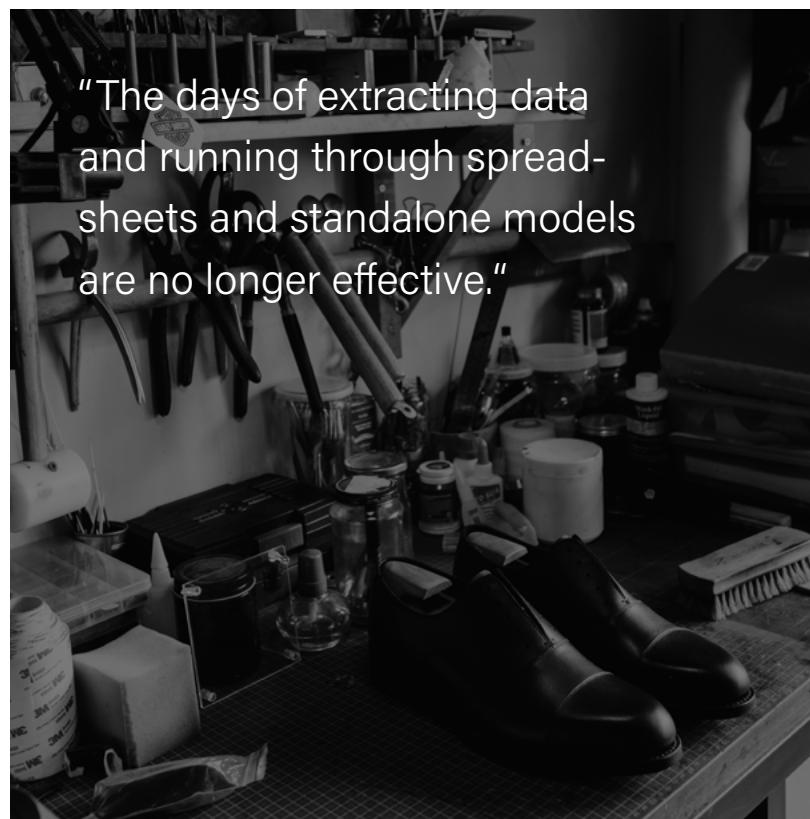


However, to get the most value from data and analytics, MGAs need core solutions that are in the Cloud and can provide access to all the operational data in real-time as well as other data sources, most of which are now in the cloud. The days of extracting data and running through spreadsheets and standalone models are no longer effective.

Channels and Agent/Customer Experience

In today's interconnected world, insurance must play across a distribution spectrum of channel options, expanding channels, and partners to reach customers when, where, and from whom they want to buy insurance.

Traditional agent-based models remain dominant but are making room for new channels from direct-to-customer to marketplaces, affinity, embedded and more. At the same time, consolidation of agencies and brokers continues, creating a shift in power and expectation of "ease of doing business" with insurers. This spans from onboarding and compliance to performance and relationship management, compensation management, and digital portals for engagement.



"The days of extracting data and running through spreadsheets and standalone models are no longer effective."

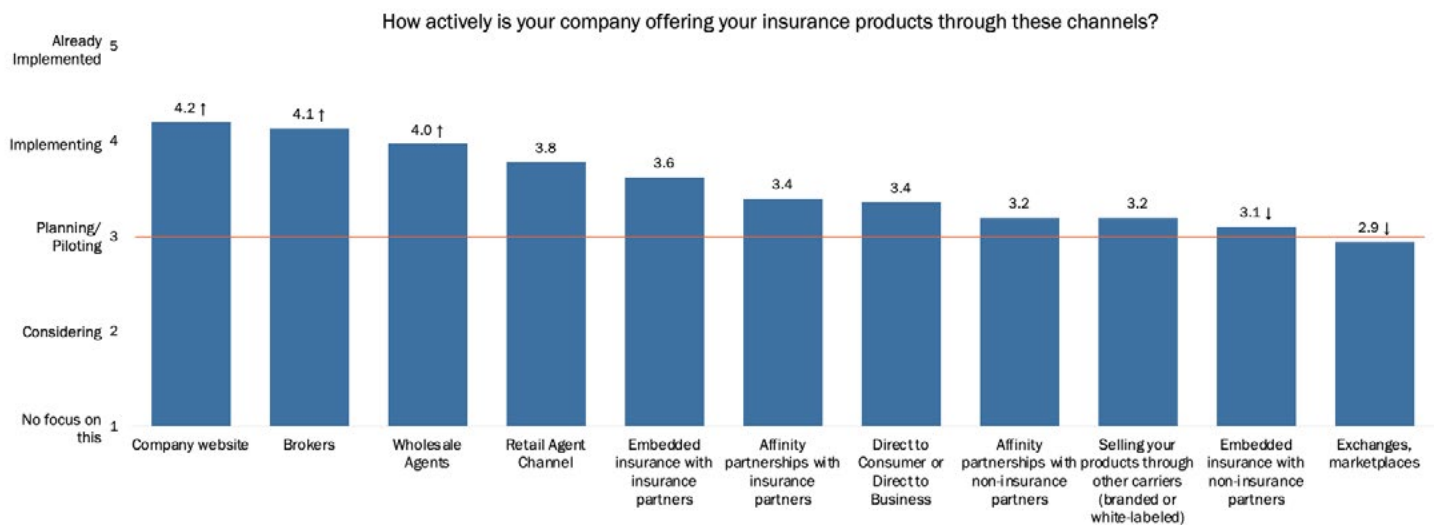
“Effectively managing and responding to the demands of agents, as well as the proliferation of new channels, is crucial to growth and market reach for MGAs and cannot be accomplished using legacy methods and technology.”

This channel expansion is evident in the survey results reflected in Figure 13. All but one of the channels are above average in priority and focus. While brokers and agents dominate, embedded, affinity and partnerships are not far behind, providing a broad market reach for MGAs

to grow their business.

Effectively managing and responding to the demands of agents, as well as the proliferation of new channels, is crucial to growth and market reach for MGAs and cannot be accomplished using legacy methods and technology.

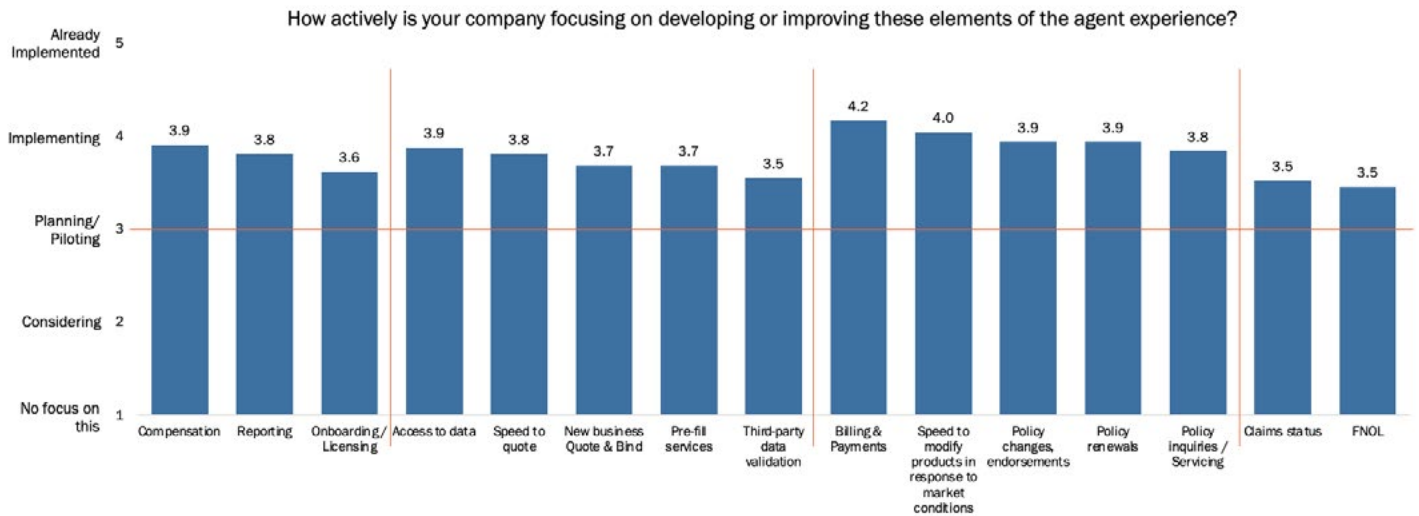
Figure 13
MGAs’ level of activity in offering products through different channels



To retain or gain trust and satisfaction, MGAs must consider the agent experience. Rather than a “traditional portal” which is limited and transactional, MGAs are leveraging next-gen digital platforms to create that experience. However, the digital demands are outpacing the engagement capabilities across a wide array of areas of many MGAs.

Figure 14 reflects the areas that MGAs are focusing on to create a better agent experience. At the top are policy and billing capabilities, followed by onboarding and compensation as well as quoting and new business. Interestingly, claims FNOL and status are ranked at the bottom.

Figure 14
MGAs’ level of activity in improving elements of the agent experience



“To retain or gain trust and satisfaction, MGAs must consider the agent experience.”

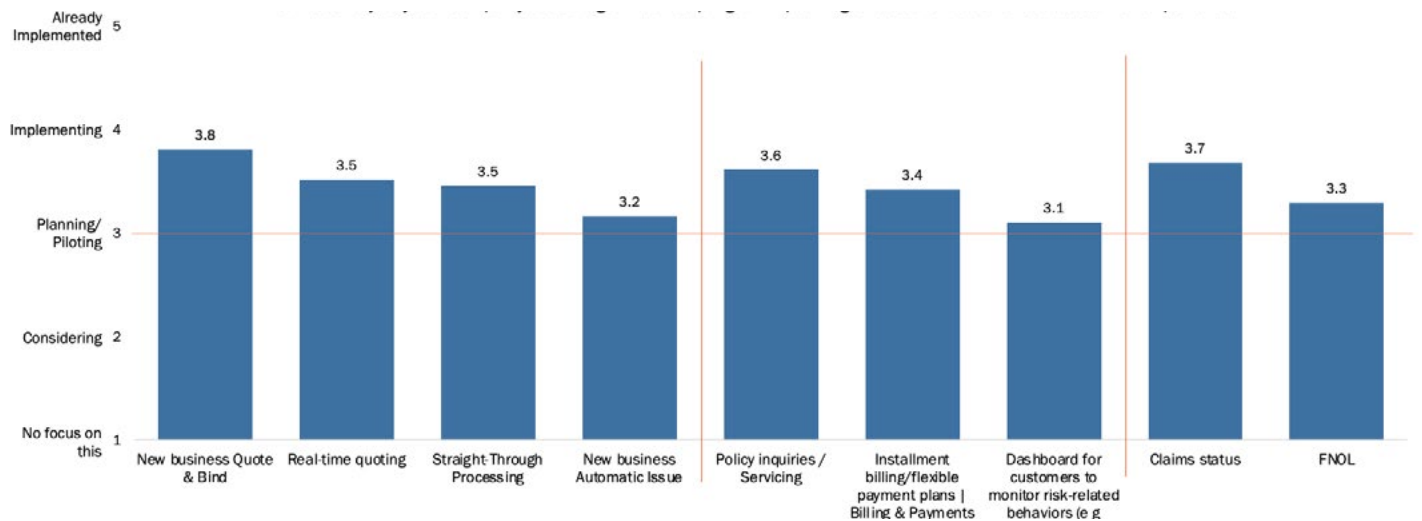


There are differences, however, for improving the customer experience, as reflected in Figure 15. Quoting and new business are at the top followed by claims and then policy servicing and billing. While the focus is on ease of quoting and new business, customer expectations are rapidly expanding across the value chain, including

billing, policy servicing, and, most importantly, claims. MGAs must be sensitive to these demands in creating a portal experience that can easily build off the new business focus and deliver on the broader capabilities expected by customers.

Figure 15

MGAs' level of activity in improving elements of the customer experience



Agents and customers today expect an integrated, unified, and cohesive digital experience that services all their needs and is “easy to use.” Next-gen agent and customer digital portals can offer significant value, including:

- 1 Agents and insureds have access to real-time policy information and ability to pay bills, submit claims, view claims status, and more.
- 2 Customized processes adapt to personal preferences, creating the “personalized effect.”
- 3 Mobile and browser access provides connections whenever and wherever it is needed.

Regardless of where the MGA starts, with agents or customers and capabilities, leveraging digital platforms

that can adapt to changing demands and expectations will be crucially important to be competitive in the market.

Alignment and Differences Between MGAs and Insurers

Within the P&C market, the relationship between insurers and MGA/MGUs, is closely intertwined – from access to capacity to distribution partnerships, customer relationships, product innovation and more. In an increasingly complex world of risk and technology, MGAs help insurers grow premium, expand into new products, markets and geographies, augment underwriting expertise, and innovate.

While MGAs operate independently and use core and other technology solutions for their business, this technology is increasingly crucial to effectively partner with and conduct business with agents, customers and insurer partners.

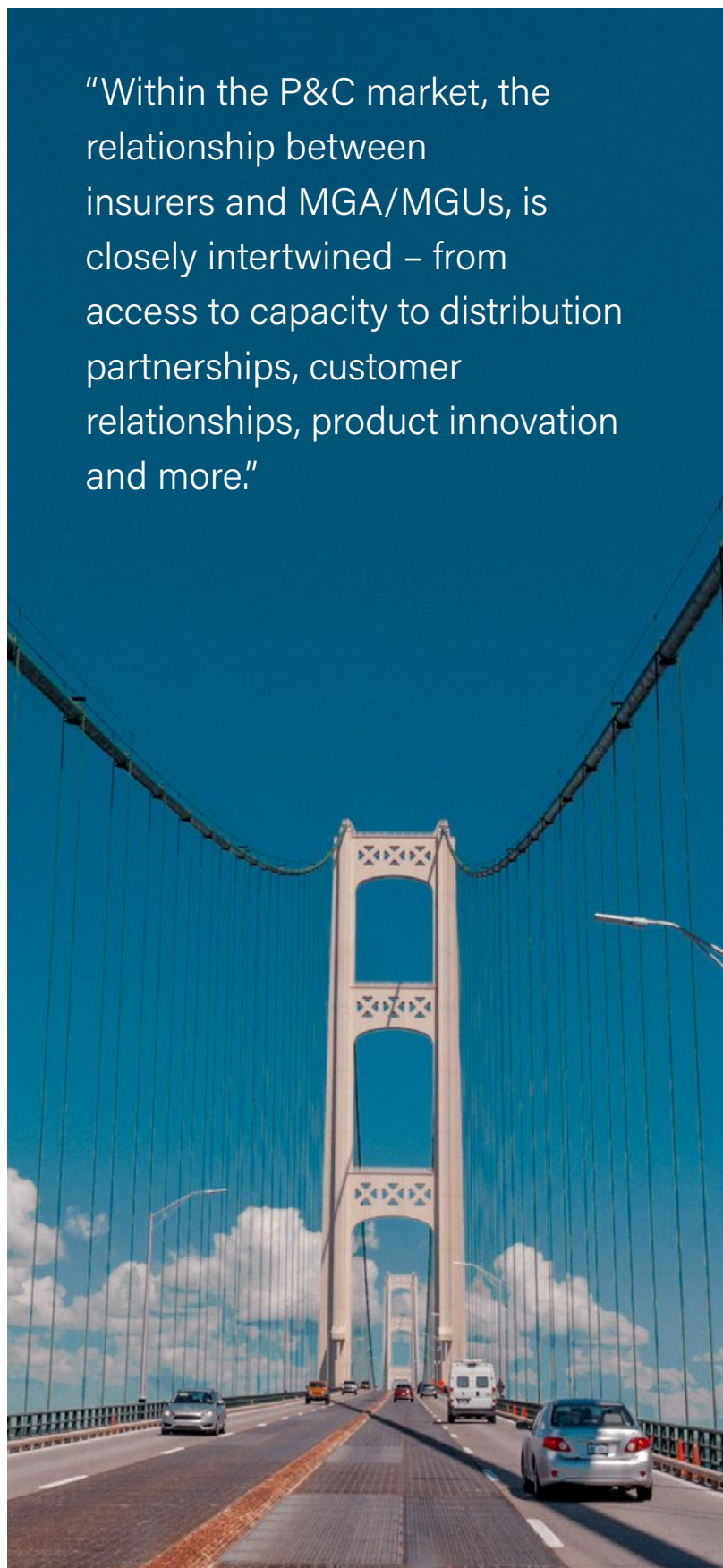
To gain insight on the alignment or differences between MGAs and insurers, we compared key areas from the strategic priorities' responses for both groups. If each organization does not fully align on key strategic areas, the result could be short-lived success and failure, impacting both organizations and their partnership longer-term.

State of the Business

With the challenging headwinds facing the P&C industry, driven by heightened volatility in financial markets, economic activity, and increased risk environment, navigating them requires leaders to diligently execute on their strategy and adapt where they need to remain relevant and competitive.

Finding the right partner relationships between MGAs and insurers, requires alignment of strategies, successfully integrating new technologies into their operations, and expanding product and market capabilities that help diversify risks and risk appetite effectively. Most importantly, by doing so MGAs' and insurers' alignment enhances business agility, improves ability to attract new business, and limits conflicts and issues between the entities.

“Within the P&C market, the relationship between insurers and MGA/MGUs, is closely intertwined – from access to capacity to distribution partnerships, customer relationships, product innovation and more.”



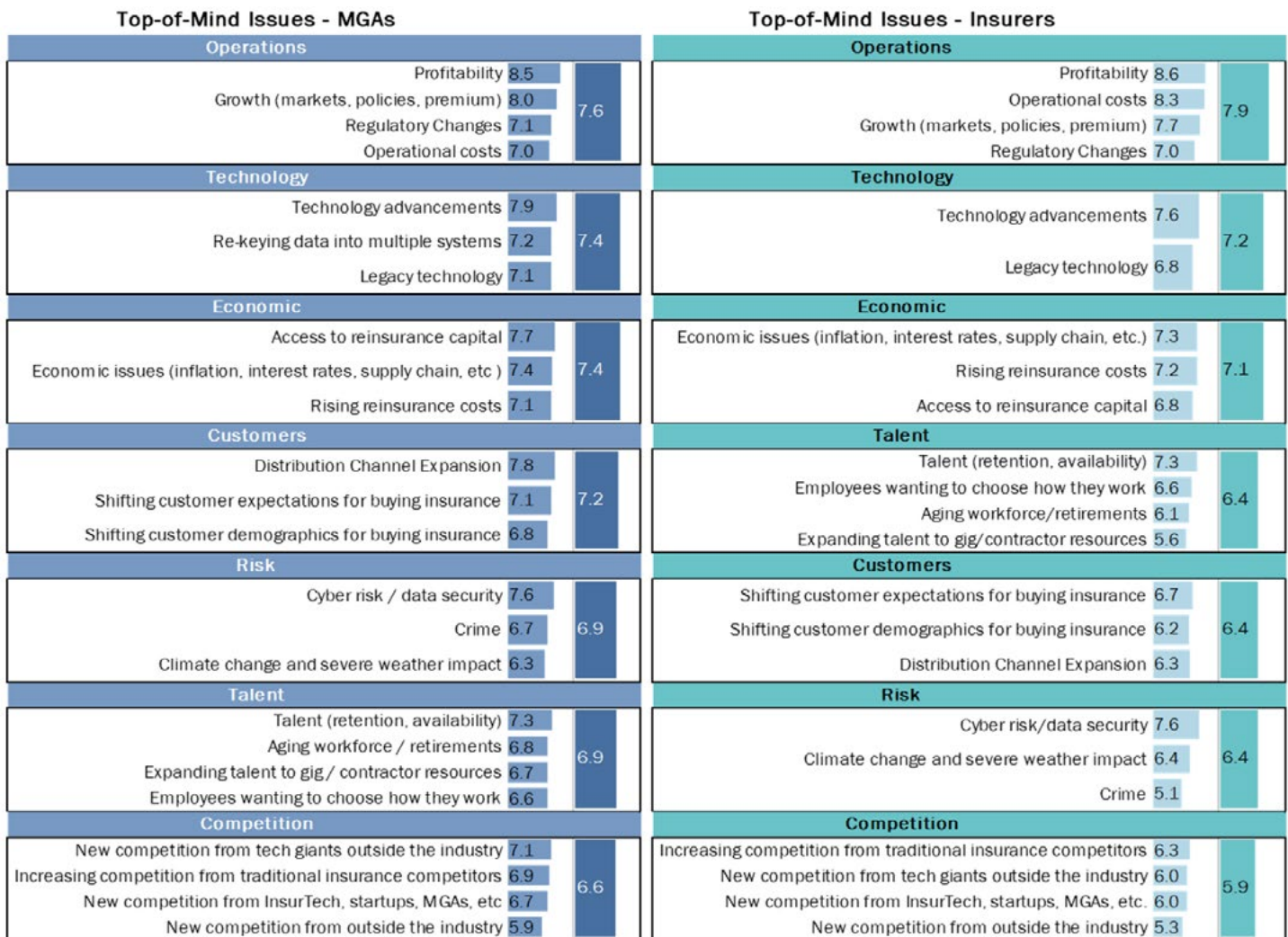
Top-of-Mind Issues

In comparing their top-of-mind issues, the top three categories of operations, technology and economic are fairly aligned both in priority and ranking as reflected in Figure 16. However, differences appear in the next three categories with MGAs focused on customers, risk and then talent as compared to insurers focused on talent, customers and then risk. Not only are these categories prioritized differently but the rankings are significantly different with MGAs profiling them higher than insurers.

Overall, MGAs appear to be focused to a high degree on all these categories. What's interesting is the competitive differentiators of product, underwriting, and channel relationships that drive profitable growth are reflected in the top 5 categories. While talent is a key differentiator, particularly for underwriting, MGAs are not facing the level of talent challenges that insurers are or will as retirements continue.

Figure 16

MGAs' and insurers' Top-of-Mind issues



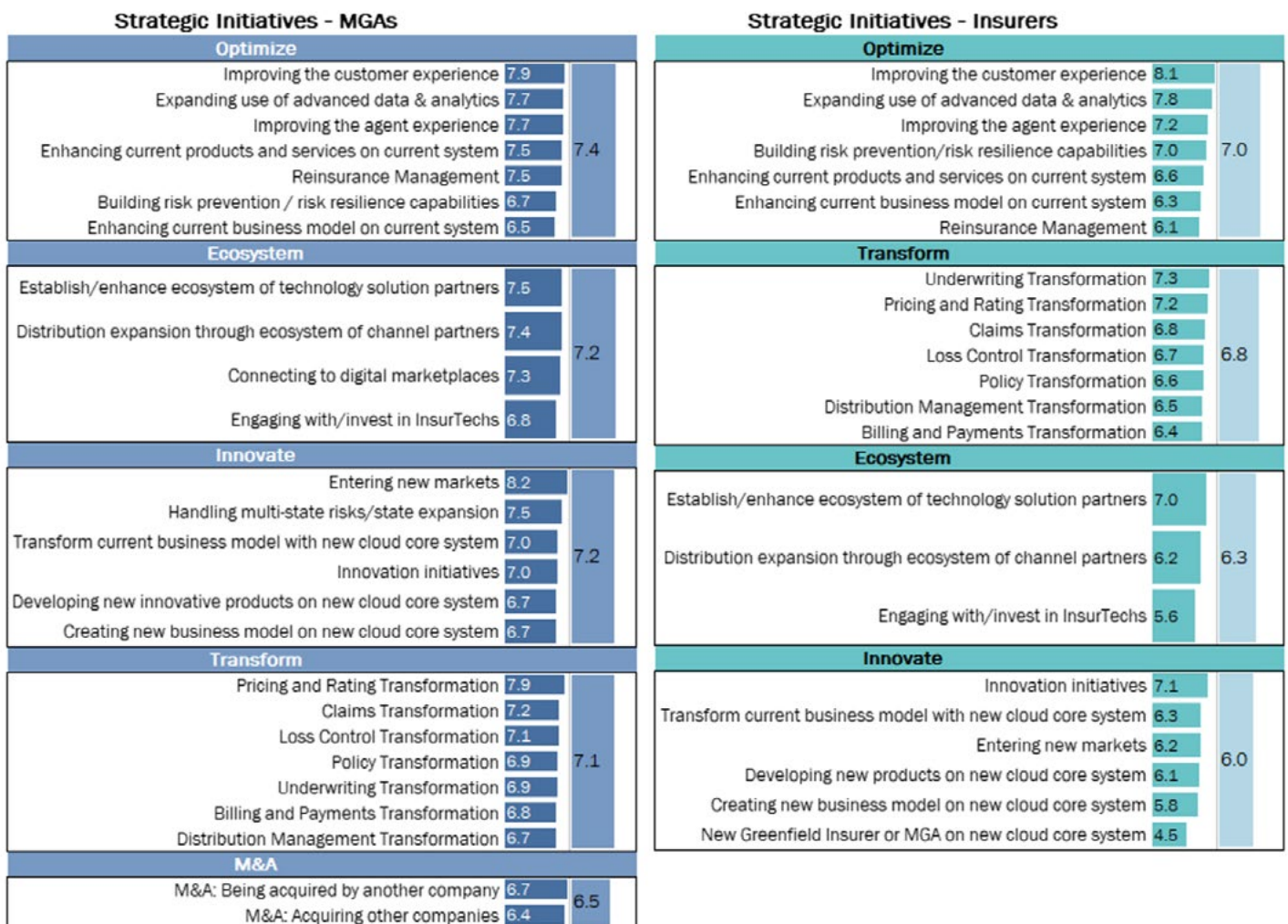
Based on a 10-point scale where 1 meant "Not at all" and 10 meant "Very much"

Strategic Initiatives

The strategic response to the business issues and priorities really deviates between MGAs and insurers, both in terms of the categories but also rankings as reflected in Figure 17. While both have the optimize category on top, MGAs' focus is heavily skewed to areas of differentiation – ecosystem of partners and innovation of new products and markets. In contrast, insurers are heavily focused on optimizing and transforming their businesses with an ecosystem of partners, while falling behind in their focus on innovation.

The rankings highlight the decades of operational and technology legacy debt for insurers. The patchwork of legacy solutions coupled with increasing retirements and loss of institutional knowledge and skills and a new generation of employees who will not work with legacy technology, legacy debt is more and more a major operational risk for insurers impacting their short and long-term competitiveness and growth. MGAs with legacy debt should take note and adjust their strategic focus to eliminate it as quickly as possible to achieve and maintain the best relationships in the market.

Figure 17
MGAs' and insurers' Strategic Initiative priorities



Based on a 10-point scale where 1 meant "Not at all" and 10 meant "Very much"

The MGA rankings and differences to insurers reinforce an assessment in the AM Best report that notes that insurers struggling to transform and innovate can benefit

from MGA relationships, their entrepreneurialism, and technologies to gain a competitive market advantage.

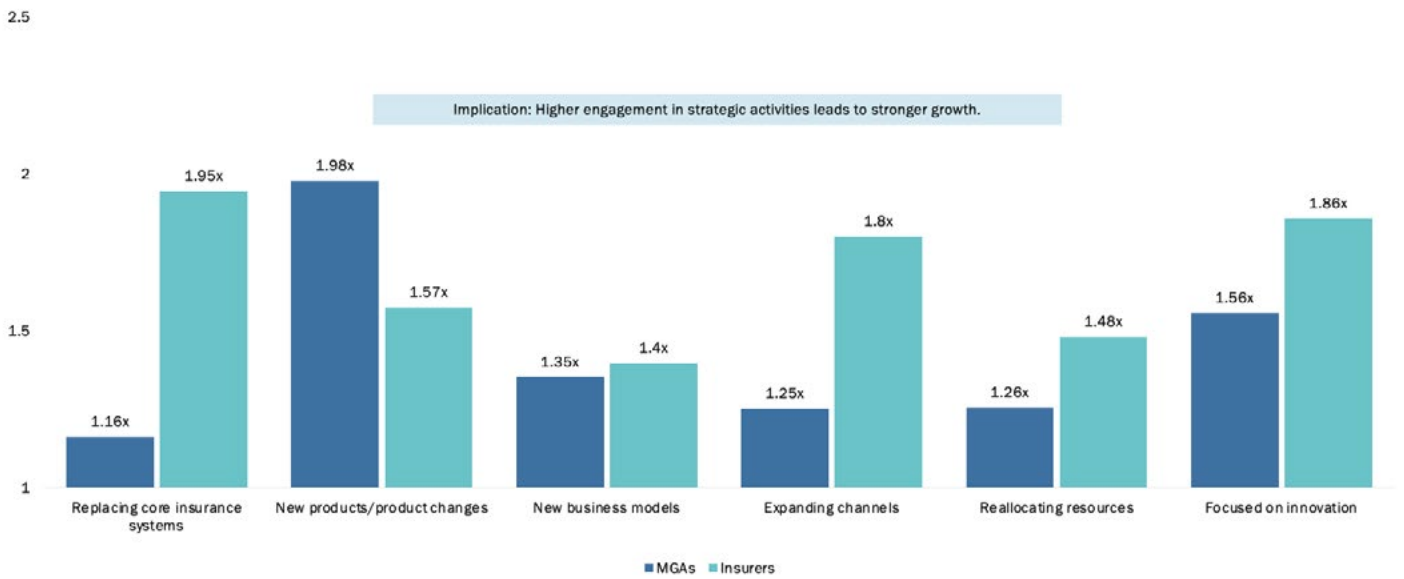
Strategic Activities' Impact on Growth

While the insurance market is being challenged and reshaped by technology advancements, customer generational shifts and expectations, macroeconomic factors, new competition, new risks, and increased regulatory demands, growth is very possible with the right strategic focus, as reflected in Figure 18. However, the impact is vastly different between MGAs and insurers.

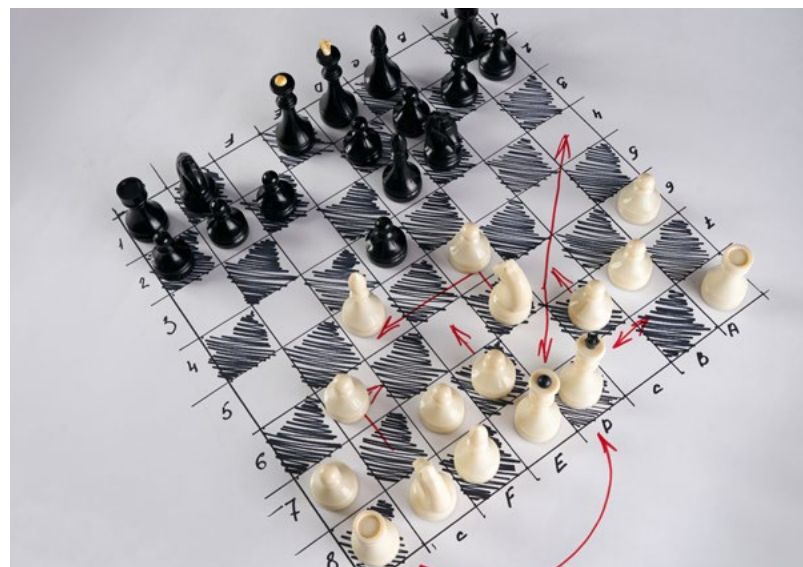
Higher growth is achieved by MGAs with new products, their key competitive differentiator, as compared to replacing core systems by insurers, one of their biggest challenges. New business models and reallocating resources are generally on par. Surprisingly, expanding channels and innovation outpace MGAs, two areas that are their competitive differentiators.

Figure 18

Increases in Growth Last year by Companies with Higher Levels of Engagement in Strategic Activities vs. Those with Lower Levels of Engagement



While the impact on growth for the key areas may be different, this highlights the hidden value for insurers to select the right MGAs to extend their growth plans in areas they lag behind.



“MGAs are far more diverse and nimble with a dual focus on transformation and innovation, creating broader competitive differentiation.”



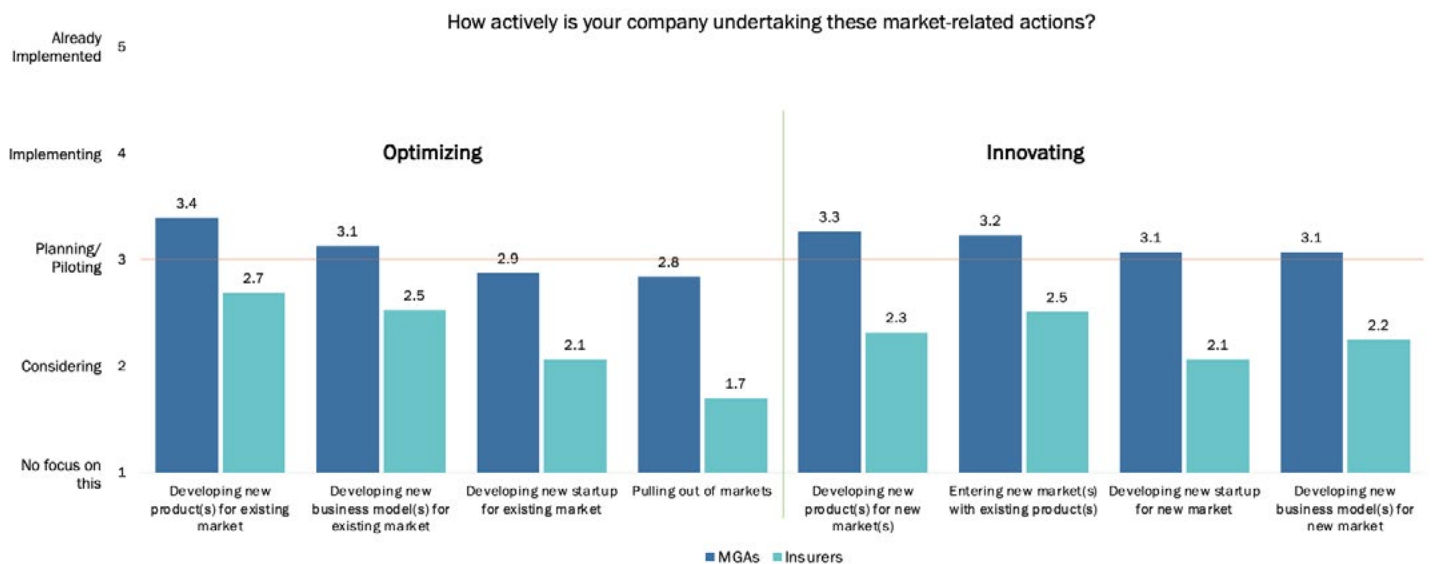
Business Priorities and Plans

The transformation and innovation approaches embraced by the industry over the last number of years had an increasing focus on both operational and innovative initiatives. For insurers, it has been heavily focused on

working within the existing markets as reflected in Figure 19. However, MGAs are far more diverse and nimble with a dual focus on transformation and innovation, creating broader competitive differentiation.

Figure 19

MGAs’ an insurers’ level of activity in undertaking market-related actions



In today’s rapidly changing marketplace, transformation and innovation must be a burning platform for strategic change of the operating model and technology foundation that will adapt to rapid market changes, innovate, and tap

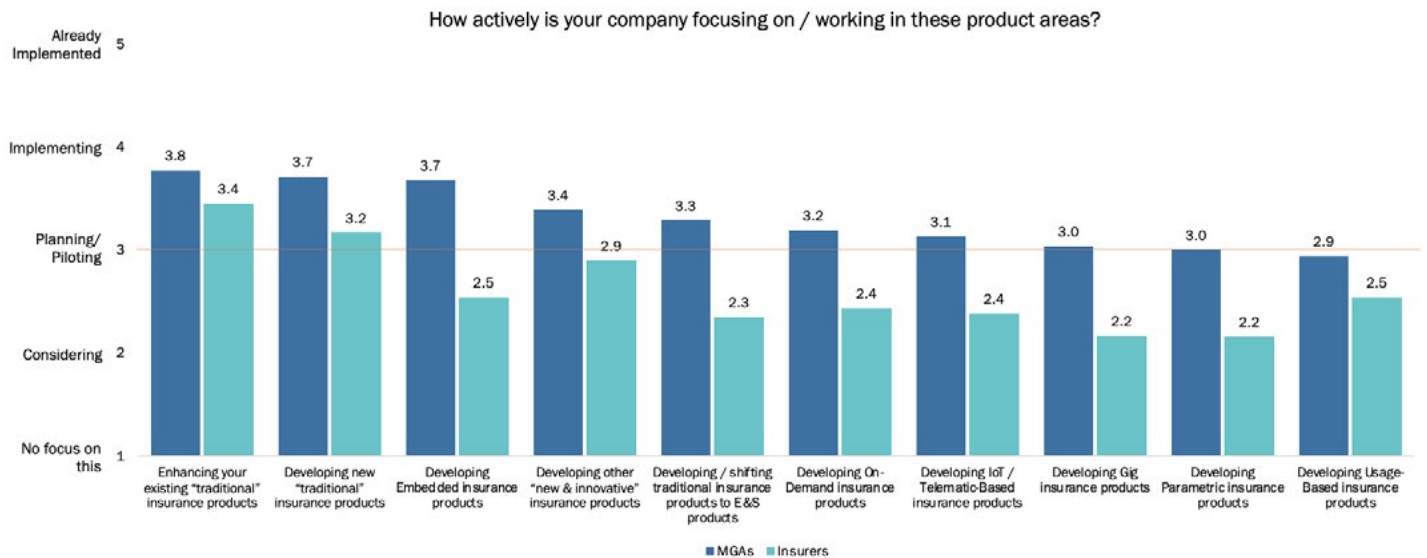
into market opportunities to grow the business. MGAs are keenly focused on this. For insurers partnered with them, this is of great value. For those not partnering, it is a real threat.

Products & Value-Added Services

The theme of MGAs being focused on both transformation and innovation continues with products and value-added services. While insurers are relatively similar to MGAs on traditional products, they are greatly outpaced for embedded, shift to E&S, on-demand, IoT, and Gig-related products. This highlights how MGAs are the testing ground for innovative new products and addressing

underserved niche markets. MGAs' nimbleness, versatility and specializations are their greatest strengths, and competitive differentiators. For insurers seeking an alternative route to market and innovation, MGAs offer real opportunity and value with limited operational risk.

Figure 20
MGAs' and insurers' levels of activity in developing products

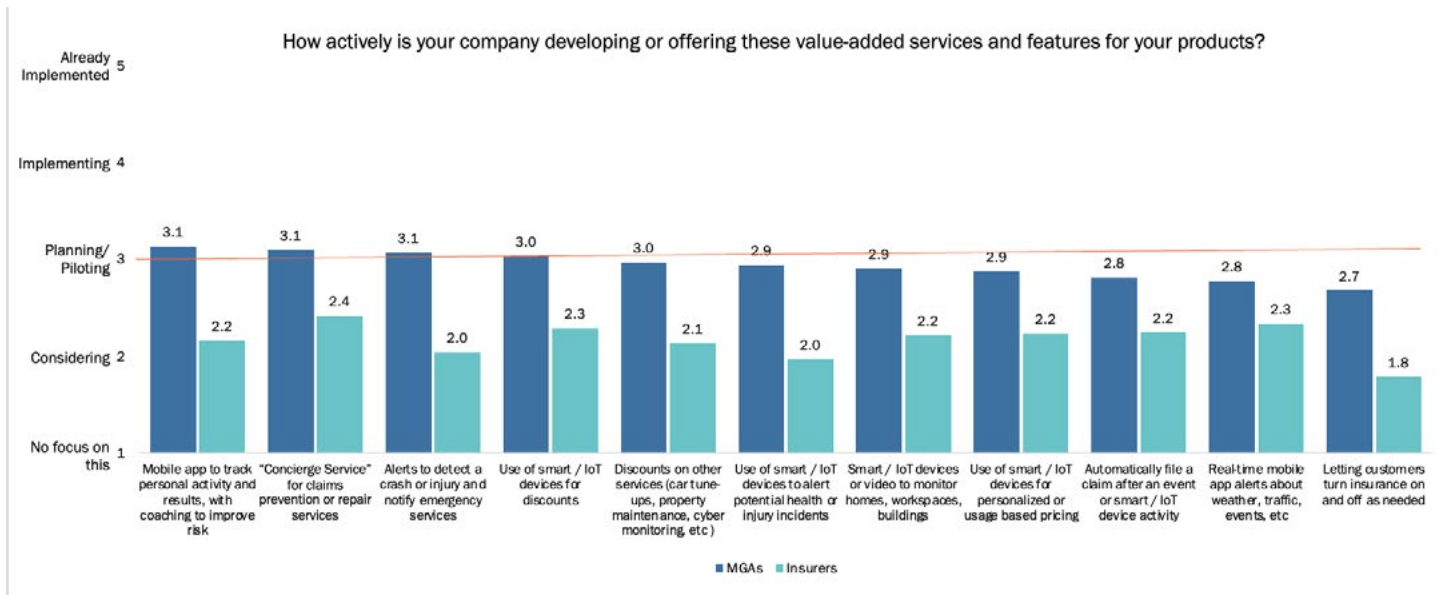


“For insurers seeking an alternative route to market and innovation, MGAs offer real opportunity and value with limited operational risk.”

The trend and differences for value-added services continue between MGAs and insurers, but more dramatically so. Insurers have little focus on these areas, with most well below the mid-mark. However, for MGAs, nearly 8 of the 11 are at the mid-mark or above, once again reflecting their versatility and innovative approaches to

meeting the unique needs and demands of the niche markets and risks they underwrite. This also highlights their focus on preventing and mitigating risk, an area that customers are increasingly demanding and one insurers are falling behind on.

Figure 21
MGAs' and insurers' levels of activity in developing value-added services



For both products and value-added services, insurers can leverage MGAs' product acumen by providing the capital to develop and test new products when markets shift, positioning them in a market leader position with little impact to their operation.

Core and Operational Solutions

The impact and operational value of replacing legacy or on-premise solutions continues to be a key focus for insurers with 50-60% indicating so for either policy, billing or claims, highlighting the significant legacy debt within insurers.

Unfortunately, MGAs are in a similar situation with 60-70% on legacy or on-premise solutions. Furthermore, 10-13% are on other technologies, likely spreadsheets, which puts MGAs in an even more difficult position, recognizing that technology is increasingly a foundational requirement for investment, growth and competitive position.



“Technology is increasingly a foundational requirement for investment, growth and competitive position.”

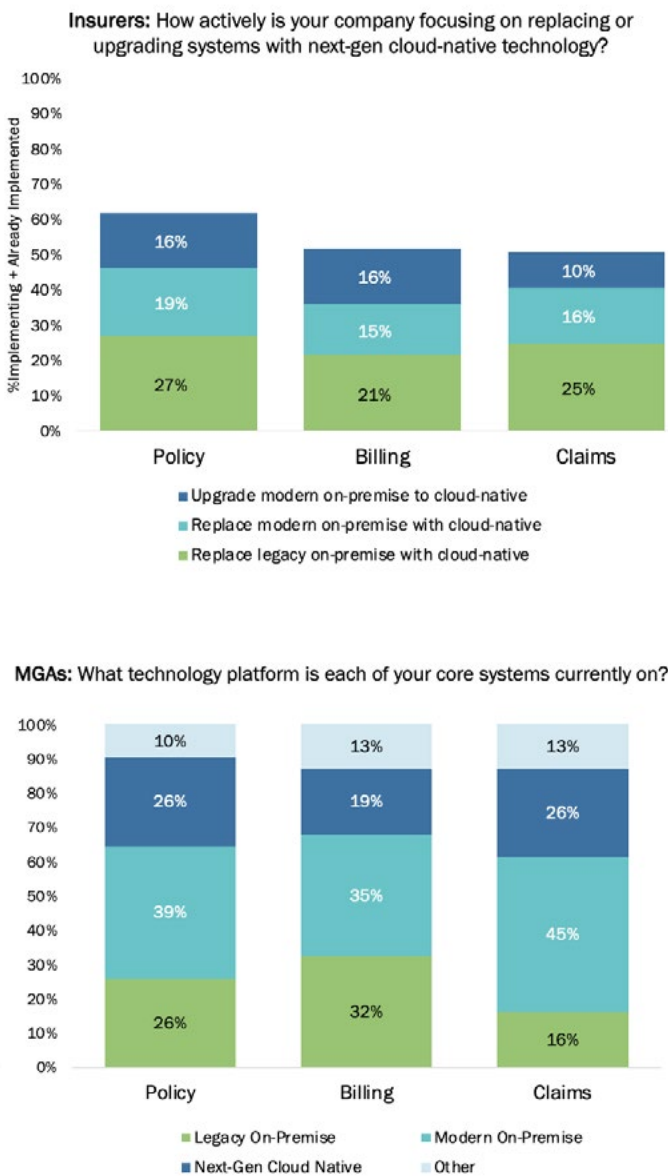
Key drivers for MGAs using next-gen cloud solutions include the need to compete with other technologically advanced MGAs, particularly those backed by PE firms, the increased use and value of advanced data and analytics, and the potential increasing oversight by regulators and AM Best that will assess operational effectiveness.

Core technology solutions must become a new competitive differentiator for every MGA to grow and succeed.



“Core technology solutions must become a new competitive differentiator for every MGA to grow and succeed.”

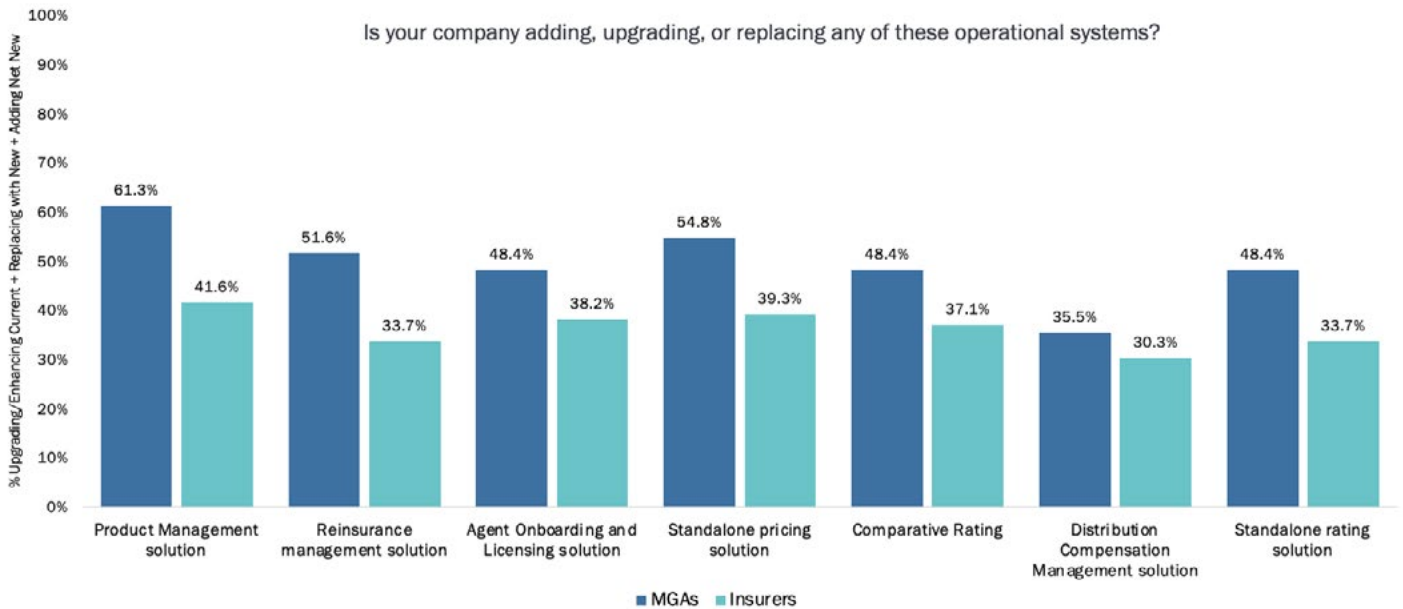
Figure 22
MGAs' and insurers' current core system technology platforms



In contrast to core solutions, MGAs are highly focused on other operational solutions as compared to insurers. These solutions are heavily focused on product, pricing, rating, and channel management, particularly onboarding and licensing.

This contrast highlights the strategic focus differences: MGAs focused on the front-end and product areas, and Insurers on the back-end and operational demands, but also, the potential power and value of a partnership between them.

Figure 23
MGAs' and insurers' plans for changes to operational systems



“This contrast highlights the strategic focus differences: MGAs focused on the front-end and product areas, and Insurers on the back-end and operational demands, but also, the potential power and value of a partnership between them.”





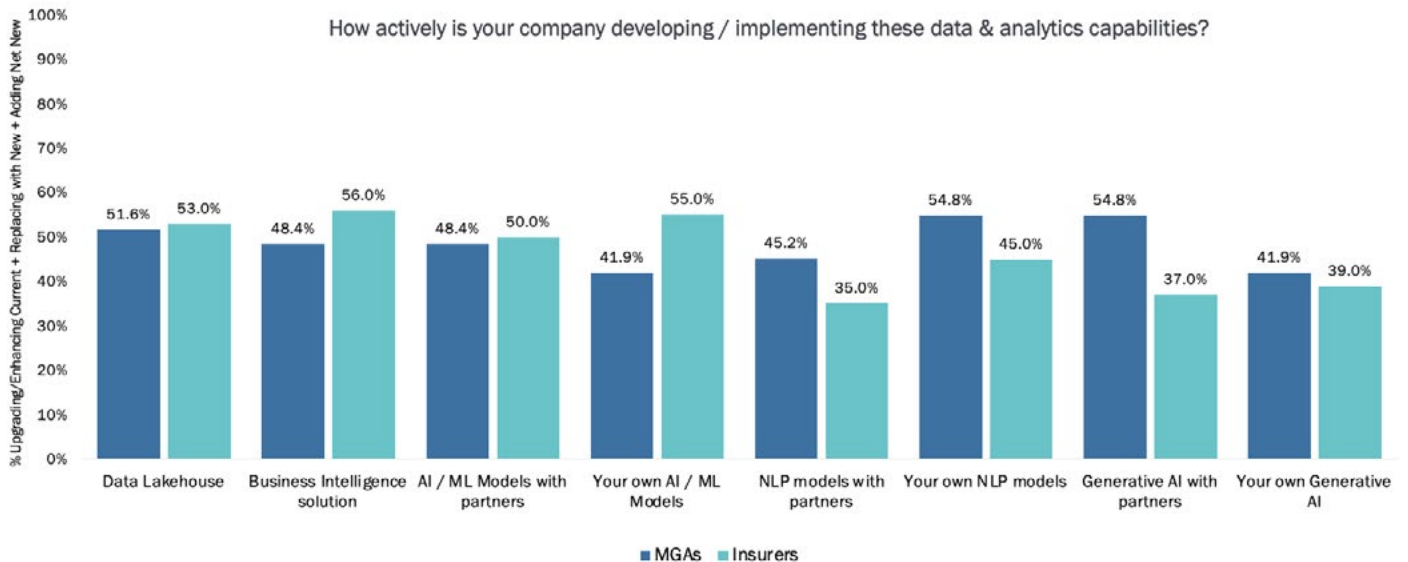
Data & Analytics

Given the competitive differentiation of pricing, rating and underwriting, it would be reasonable to assume data and analytics are highly important for MGAs, particularly given their focus on complex risks and unique products. MGAs and insurers are relatively in-sync across a

number of the capabilities as shown in Figure 24, with the exception of developing their own NLP models and generative AI with partners where MGAs outpace insurers by 10-15+ points. Surprisingly, they fall behind by about 13 points in developing their own AI/ML models.

Figure 24

MGAs' and insurers' plans for changes to their data & analytics capabilities



MGAs are limited in the use of these models due to the legacy systems challenge and access to enough data to train models as compared to insurers. Moving to next-gen cloud solutions and finding partners with contributory

databases that can be leveraged is crucially important as advanced analytics models will increasingly redefine insurance.

Channels and Agent/Customer Experience

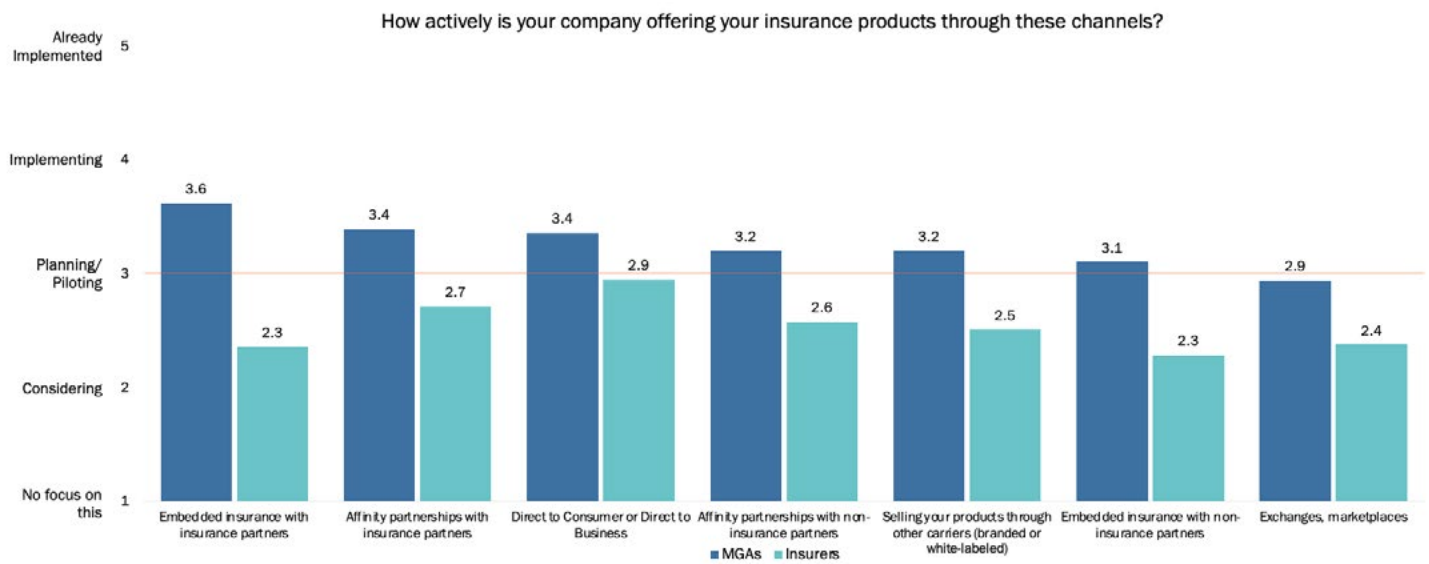
Given that channels are one of MGAs' strengths, it is not surprising that they have a high focus on them. What is surprising is they outpace insurers in every one of the additional channels beyond traditional agents, highlighting their position as multi-channel leaders, as shown in Figure 25.

MGAs seem keenly aware of the embedded market

potential for P&C insurance, from \$70 billion in the US to \$700 billion globally by 2020, with strong activity as compared to insurers.⁶ For those insurers partnering with MGAs engaged in embedded insurance, this offers a great opportunity to experiment and assess the potential for the rest of their business, putting them in a leading position as the market grows.

Figure 25

MGAs' and insurers' levels of activity in offering products through different channels



“For those insurers partnering with MGAs engaged in embedded insurance, this offers a great opportunity to experiment and assess the potential for the rest of their business, putting them in a leading position as the market grows.”



What is interesting is the significant differences in focus for the agent experience between MGAs and insurers, particularly given the dominance of the agent channel with insurers as reflected in Figure 26.

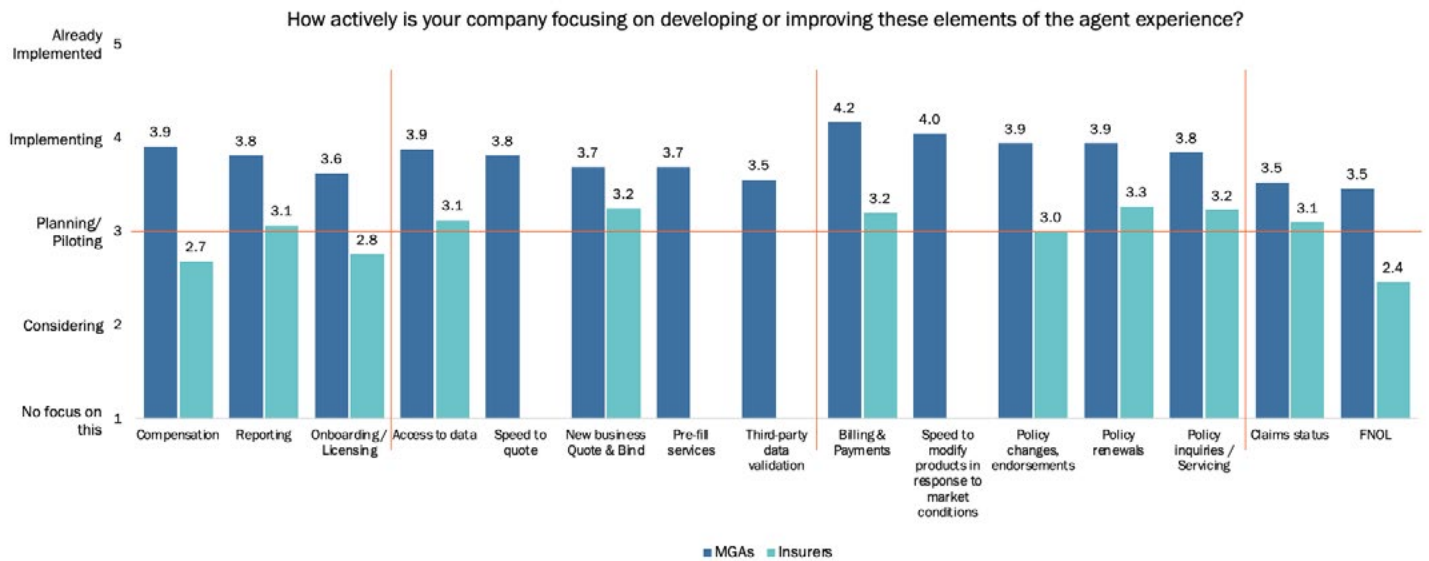
The agent portal is fundamentally the primary point of engagement for an agent with an MGA or insurer to create “ease of doing business.” This historically meant a streamlined user interface with significant data prefill from other sources to reduce data entry requirements, but it has rapidly expanded to onboarding and licensing, access to reporting, quoting and new business, billing, policy servicing and claims – the entire value chain for agents.

MGAs are very much focused on the entire value chain as compared to insurers, putting them in a strong position to capture business. For insurers partnering with MGAs who have a strong portal, this is a positive as well. For insurers operating independently with their own products and portal with agents, the competitive landscape is well beyond other insurers to MGAs, putting pressure on them to do more.



Figure 26

MGAs’ and insurers’ levels of activity in improving elements of the agent experience

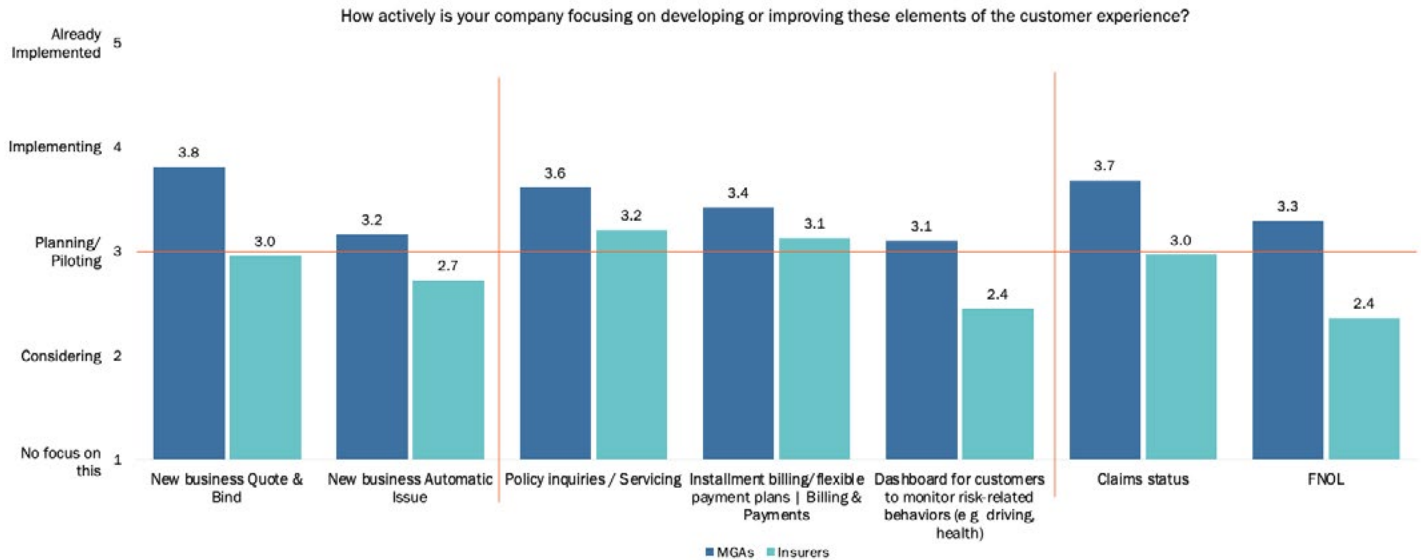


For customer portals, the trend continues, with MGAs more focused on the entire value chain experience as compared to insurers as reflected in Figure 27. While there is alignment on policy servicing and billing, new business and claims have larger gaps between MGAs

and insurers. Once again, for insurers not working with MGAs, this will put additional pressure on them to not only compete with other insurers but also with MGAs who appear to be keenly focused on the customer experience as a differentiating aspect.

Figure 27

MGAs' and insurers' levels of activity in improving elements of the customer experience



Conclusion

In the May 2023 BCG report, *Most Innovative Companies 2023: Reaching New Heights in Uncertain Times*, it notes that for the third straight year, companies that both prioritize innovation and make sure that they are ready to act are widening the gap over less capable competitors. The report highlights that leaders at these firms are consistently delivering new products, entering new markets, and establishing new revenue streams.⁷

This aligns to the continued growth of the MGA segment as reported by Conning and AM Best. Supporting this growth is the access to capacity and capital from new funding approaches including insurers, reinsurers, private equity and other financial vehicles, reflecting the growth opportunities in working with MGAs.

When looking at the advantages based on top-of-mind priorities for MGAs as compared to insurers the following comes to light:

MGA Advantages

- ✓ Talent
- ✓ Customers
- ✓ Distribution

Insurer Advantages

- ✓ Technology
- ✓ Access to Capital
- ✓ Competition



As a result, MGAs are attracting top talent, from underwriters to technology professionals, and investing in the business to capture the market opportunities leveraging an expanding distribution channel to support strong, profitable growth goals. This is further reflected when comparing MGA versus Insurer survey findings:

MGAs' strategic initiatives focus outpaces insurers to transform, optimize and innovate

- MGAs are influencing and setting the pace and view on **rethinking the insurance business**.
- MGAs' focus reflects their **nimbleness and ability to adapt to change**.
- MGAs are in a **leading position to meet the demands of the shifting market landscape**, keeping them at a competitive advantage.

MGAs significantly outpace insurers on market growth initiatives and new, innovative products

- **Emerging risks and demand for more personalized, niche products** offer MGAs significant growth opportunities.
- **Insurers show significant gaps** in new product and new market development.
- MGAs are driving **product and market innovation in insurance**.
- **MGAs' focus on products with product management, pricing and rating** outpaces insurers significantly and strengthens their competitive advantage.

MGAs leverage distribution strength and outpace insurers with multi-channel focus

- MGAs are **leading the embedded insurance** market growth.
- MGAs are also **leading in affinity relationships** across insurers and non-insurers, giving them greater reach.
- MGAs are creating a significant gap as compared to insurers on agent experience, potentially **shifting where business is placed and creating market dominance**.

MGAs are further behind in replacing legacy solutions, putting them at a disadvantage to insurers or new MGA startups leveraging next-gen intelligent solutions

- **MGAs run the risk of limiting their future growth and operational effectiveness** by not leveraging next-gen technology and holding on to legacy AMS, spreadsheets, and on-premise solutions.
- MGAs are **well behind in moving to Cloud and next-gen technical architecture** elements, putting them at a significant disadvantage competitively.
- Lack of use of next-gen solutions **limits their ability to take advantage of digital and advanced data and analytics like GenAI**.
- Investors in **MGAs increasingly evaluate the technology use** as a key factor in determining investment.

The top-of-mind issues and industry challenges are colliding forces creating a catalyst for refocusing on strategic priorities to drive operational optimization and innovation in how insurance does business. Leaders keep a constant sharp focus on both operations and strategy.

While MGAs' strengths are product, distribution and innovation, to keep those at the forefront they must reevaluate their core systems and implement next-gen solutions that will strengthen their competitiveness in these key areas today and in the future.



For insurers, those with strong MGA relationships should continue to expand and leverage them. Insurers who have not partnered with MGAs should strongly consider doing so. Key reasons for both include:

- 1 Insurers can find greater flexibility and choice in partnering with MGAs rather than establishing their own dedicated insurance operations – leveraging to innovate and test new products and markets.
- 2 Takes advantage of MGAs' product acumen to test new products and markets cost-effectively.
- 3 Insurers only focused on the independent agent channel are limiting their market reach and run the risk of losing business with agents who may shift to MGAs.
- 4 Expands Insurer market opportunities to drive growth.
- 5 Enables insurers to evaluate new business models through the MGA partnerships.
- 6 Provides customers with a broader portfolio of risk products to meet their changing needs and demands, strengthening the relationship.

The MGA market provides a diverse mixture of P&C products to meet a wide array of niche risks and markets. They are regularly at the forefront of product innovation, leveraging their underwriting expertise, channel relationships and entrepreneurial spirit to deliver above-market growth, financial results and innovation. PE firms will continue to acquire MGAs and pay a premium for those with **strong business results, distribution relationships and technology foundation.**

MGAs have had a great run the last 5-6 years. Building on that to create strong sustainable growth requires a shift and expansion of investment in next-gen intelligent solutions, particularly for core, to eliminate the weight of legacy and its negative impact. The result will be an unleashing of greater growth that will meet the rapidly changing insurance market.

Game on.

About the Authors



Denise Garth is Chief Strategy Officer at Majesco, she is a widely regarded InsurTech and industry thought leader and recognized InsurTech Top 50 Influencer and Top 50 Women Leaders in SaaS, Denise Garth is the Chief Strategy Officer at Majesco. Majesco is a global leader of cloud insurance software solutions with products that empower insurers to modernize, innovate, and connect their business at speed and scale. Garth began working at Majesco in 2015 as a Senior Vice President in Strategic Marketing, Industry Relations, and Innovation. Garth leads the company's strategy, marketing, industry relations, and innovation in support of Majesco's client-centric strategy. With both P&C and L&A insurance experience, Garth has also authored research and articles grappling with the key issues and opportunities facing the insurance industry.

Prior to Majesco, Garth's extensive leadership career has spanned both business and IT across the insurance industry such as Century Companies, CUNA Mutual Group, Mutual of Omaha, Bowne Global Solutions, ACORD, Innovation Group, and Strategy Meets Action. A renowned strategic thinker, innovation leader, international speaker, and author, Garth has deep international ties across North America, Asia and Europe. She is active in the InsurTech space, is an Advisory Board Member for the Silicon Valley Insurance Accelerator, and a Mentor for the Global Insurance Accelerator. Garth holds a bachelor's degree in math and computer science from Central College in Iowa.



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