



MGAA: 'Shape & Share' professional development programme

22 January 2018

# MGAs 2018, MGAs 2028 – What does the future look like and how ready are you for it?

# MGAs 2028 - What does the future look like and how ready are you for it?

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Jeremy Irving, Partner  
Corporate Insurance

# MGAs 2028 – What does the future look like and are you ready for it?

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## Outline for session

- Learning objectives:
  - ✓ Considering the operational / compliance risks to MGAs from the interaction of current and future developments in IT, HR and insurance regulation
  - ✓ Raise awareness of insurance market sentiment by sharing recent survey feedback
- Insurance and Technology: the developing marketplace and legal risks (John Benjamin)
- Insurance market employment: the patterns and legal issues of the future (Helga Breen)
- The regulatory environment: the triangulated forces (Jeremy Irving)
- Case study and feedback with moderators - breakout groups

# Market view: now and 5 years ahead



DWF's Nov 2017 phone survey of market views

- pre-dates FCA London Market Study Terms of Reference, Bluefin fine, IDD delegated acts
- 200 execs; 15 MGA; mix of personal and commercial lines; 50% London-HQd

MGA respondents to DWF's Insurance Transformation Survey told us:

- Their priorities are to:
  - ✓ develop new products and services
  - ✓ reduce overheads, especially through M&A
- The single biggest change to market conduct is more transparency in relationships and remuneration
- The culture and mindset of MGAs are the principal barriers to change (to be addressed by hiring from outside the market)
- The greater influence they expect to have is from more investment in relationships (whereas the wider market sees MGAs becoming far less influential.....)
- Distribution and customer service are most likely to be affected by technology, especially through the IoT and big data.

# Technology – Signs to the future: opportunities or obstacles?

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John Benjamin, Partner  
Intellectual Property &  
Technology Group

# Evolution: adaptation or extinction

Which technology will create the biggest risk and/or opportunity to your business over the next five years?

RISK	MARKET	MGAS
Automation/bots	53%	73%
Blockchain	46%	33%
Modernisation of legacy systems	34%	53%
Cloud tech	32%	27%
Drones	20%	13%
Big Data	14%	13%
AI/machine learning	10%	27%
Mobile	8%	-
The Internet of Things	7%	13%
Customer apps	6%	-

OPPORTUNITY	MARKET	MGAS
Big Data	74%	80%
Customer apps	72%	87%
The Internet of Things	70%	60%
AI/machine learning	70%	53%
Mobile	60%	87%
Modernisation of legacy systems	48%	33%
Cloud tech	48%	60%
Automation/bots	32%	20%
Blockchain	24%	33%

# MGAs 2028 – What does the future look like and are you ready for it?

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- Who owns the creativity with a flexible workforce?
- What about with machine learning?
- How do you preserve confidentiality and market advantage?
- Will the regulator stifle innovation/how can the regulator enhance innovation?
- Will the regulator be able to force access to competitors?

# MGAs 2028 – What does the future look like and are you ready for it?

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- How should you be “engineering” privacy into your processes?
- Consider the complexity of the data chain
- Dealing with a breach
- Adding value to your business through good data protection practices



# People Perspective

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Helga Breen, Partner  
Head of Employment,  
London

# MGAs 2028 – What does the future look like and are you ready for it?

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## Insurance Market view

- Smaller, flexible workforce
- Internationally diverse
- London HQ hub and virtual workplaces
- Reliant on multiple service providers
- Driven by technology

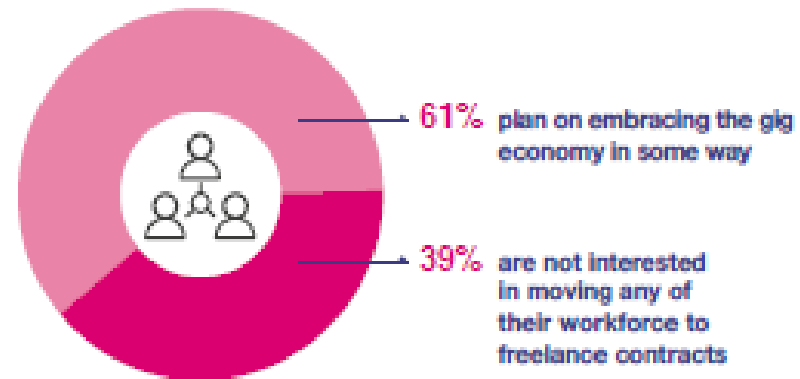


# MGAs 2028 – What does the future look like and are you ready for it?

## Insurance Market view

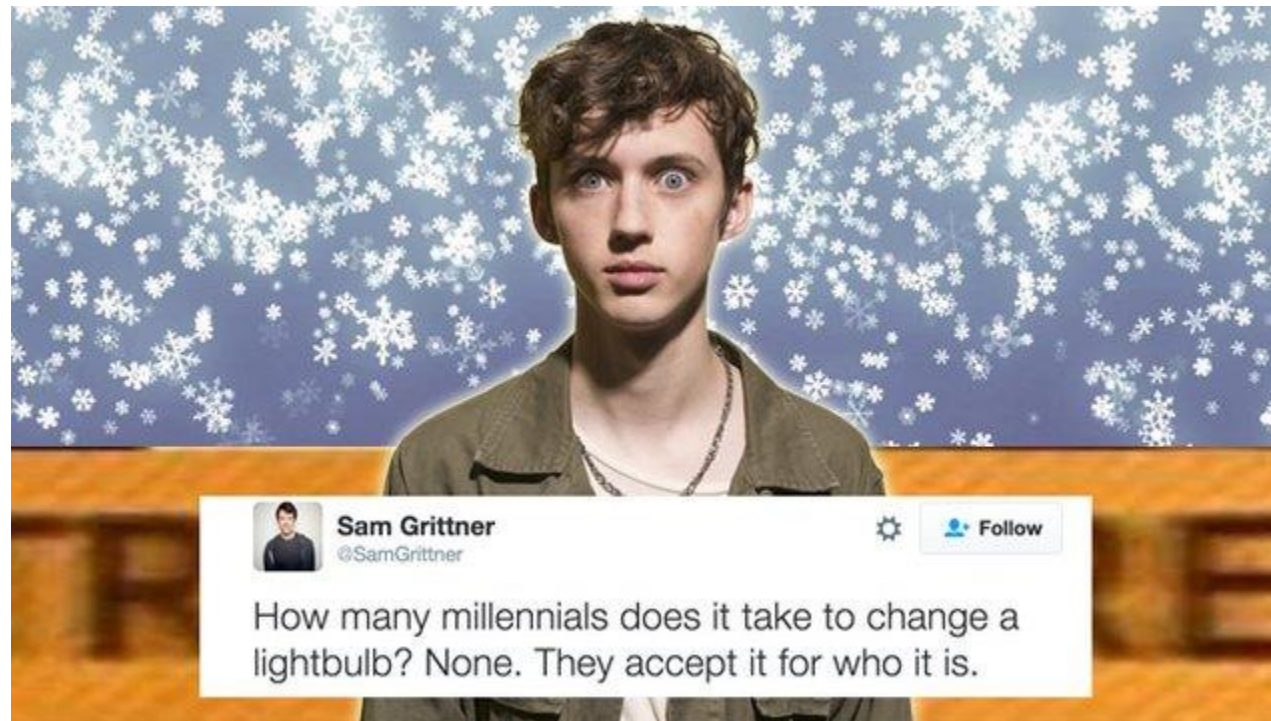
Cultural shift towards:

- flexible working
- remote/agile/virtual workforce
- part-time/flexi-time/compressed or zero ho
- engaging gig economy “workers”



# MGAs 2028 – What does the future look like and are you ready for it?

## Challenges of employing Generation Y/Millennials and Generation Z / “Snowflakes”



# MGAs 2028 – What does the future look like and are you ready for it?

## The shrinking workplace

- More redundancies reported last year than ever and trend continuing into 2018
- Redundancies involving more than 20 people at one establishment require prior consultation with elected employee representatives
- High penalties for breach – 90 days' gross pay per dismissal



# Market view: now and 5 years ahead



But MGA respondents to **DWF's Insurance Transformation Survey** had a different view from insurers and brokers, as MGAs told us:

- They are the most optimistic about future market conditions
- They need to invest in technology to handle claims and reduce overheads
- They expect to take on more employees across all areas of their businesses
- The greatest personal risk MGA executives will face in 5 years' time is regulatory sanction from compliance failings
- The lowest personal risk for MGA executives in 5 years' time is redundancy after, say, a merger or acquisition



# Regulatory Perspective

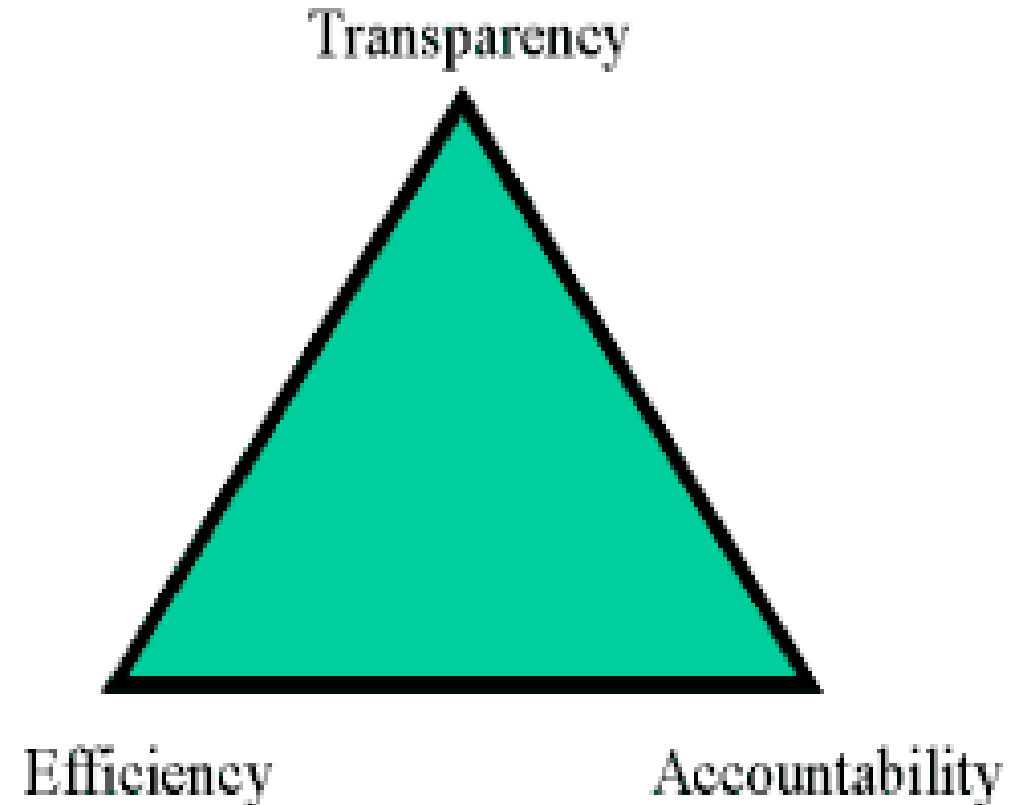
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Jeremy Irving, Partner  
Corporate Insurance

# UK Insurance Regulation 2018+ – key features

## Transparency

- To customers
  - Remuneration
    - **IDD**
  - Product governance and value
- To regulators
  - Corporate and individual (SMCR)





# Product value transparency

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## Current pilot (2017 – 2 years?)

### Personal lines

- Home
- Personal accident / key cover add-ons

### 'Scorecard'

- Claims frequencies (per policy)
- Claims acceptance rates (per total claims)
- Average claims pay-outs (inc. claims costs)

## Claims ratio?



# Transparency and value

**IDD: Art 17.1:** “insurance distributors [shall] always act honestly, fairly and professionally in accordance with the best interests of their customers”

**Art 17.3:** “... shall not make any arrangement by way of remuneration ... or otherwise that could [conflict with its customer’s best interests]”

## IDD Delegated Acts Art 6:

“[Distributors] shall avoid over-reliance on disclosure [and] ensure that disclosure ... is a ... last resort [to] be used only where the [distributor’s] ... arrangements ... to prevent or manage conflicts of interest ... are not sufficient to [prevent] risks of damage to [customers’] interests”

## FCA Market Study

### ToR:

MGAs: “*The client may not necessarily be aware of the length of the chain of firms involved in placing the risk.*”

**FCA (Bluefin):** “... that ... brokers will always act in the best interests of their **customers** and provide them with sufficient information to allow ...**informed decisions**, is central to the **relationship of trust** between [brokers] and ... customers [especially] where the ... broker is party to information to which the customer does not have access ...”

# SMCR – factors for case study

Integrity

Due skill, care and diligence

Open and co-operative with ... regulators

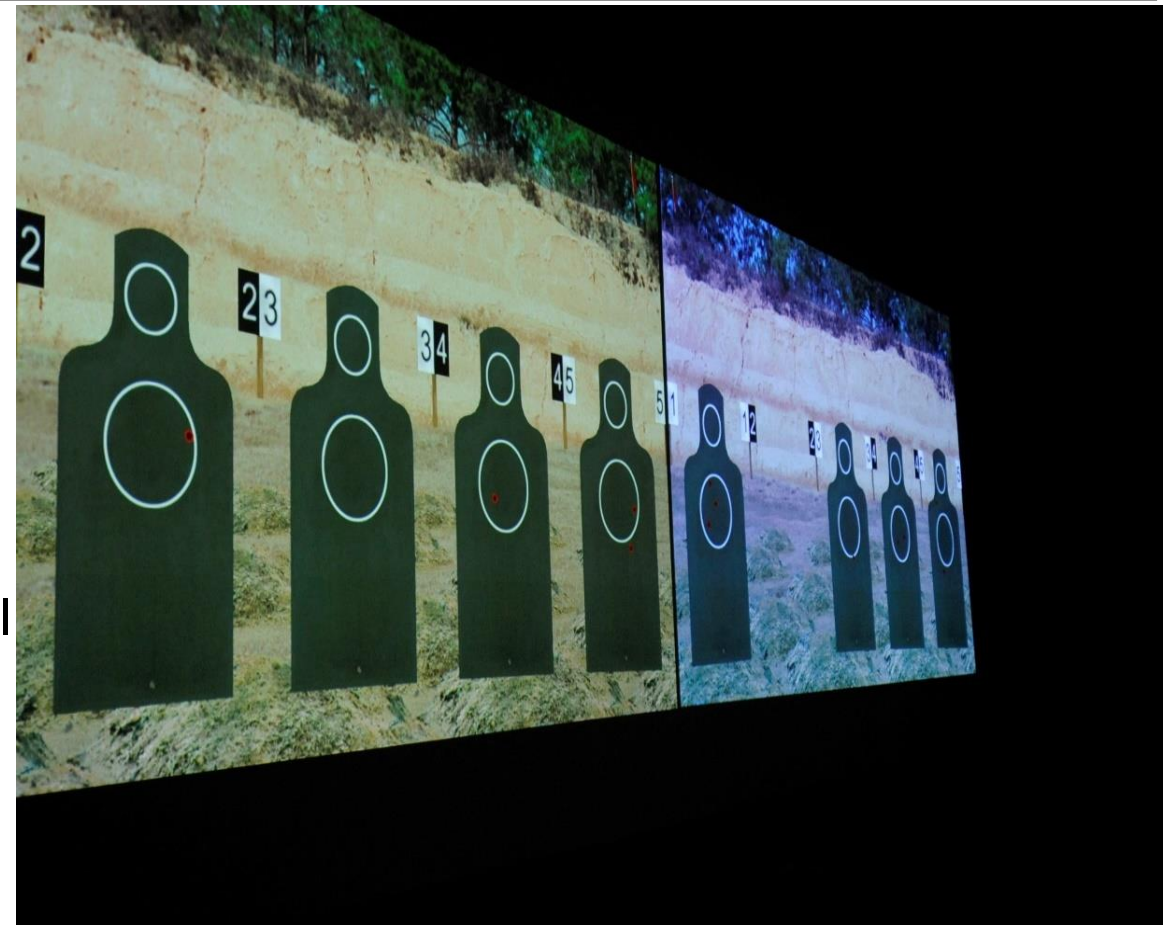
The business of the firm for which you are responsible

- is controlled effectively and
- complies with the relevant requirements and standards of the regulatory system

Pay due regard to the interests of current and potential future policyholders [as to] their insured benefits

Culture

Financial information / Business Model





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# Breakout

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# Feedback

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# Open Forum



# Transforming legal services through our people for our clients

## Beyond borders, sectors and expectations

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DWF is a global legal business, connecting expert services with innovative thinkers across diverse sectors. Like us, our clients recognise that the world is changing fast and the old rules no longer apply.

That's why we're always finding agile ways to tackle new challenges together. But we don't simply claim to be different. We prove it through every detail of our work, across every level. We go beyond conventions and expectations.

Join us on the journey.

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