

Managing
General Agents'
Association

MGAA

A PROFILE OF
THE UK MGA
MEMBERSHIP

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MGAA SURVEY

Welcome. I am delighted to be publishing MGAA's **A Profile of the UK MGA Membership** with the results of the first deep-dive survey of our UK Managing General Agents members.

Membership of the Managing General Agents' Association (MGAA) has seen steady growth since it launched in 2011, reflecting the continuing expansion of the Managing General Agent (MGA) sector and the active role the Association is playing in representing and supporting the interests of MGAs across the UK. MGAs play an important role in enabling brokers and capacity providers to access new and profitable markets efficiently and effectively. Now seems an ideal time to take stock and share what we know about our membership.

The survey report provides an overview of our members' businesses, including the lines of business they write, the level of premiums and capacity provider relationships, and structural areas ranging from company size to their use of technology.

In reading through the report, I hope it provides you with a sense of the scale and depth of our members' capabilities and demonstrates what makes them an increasingly important part of the UK insurance industry.

The report clearly shows the significant level of business that members write across a wealth of specialty and niche lines. This diversity shows why MGAs are recognised for their niche underwriting expertise and entrepreneurialism.

While it may be a snapshot of our membership, it also offers an important insight into the health and wellbeing of a sector that continues to see growth and development as the insurance industry looks to address the challenges of soft rates, profitability and distribution. It is not a report on the whole MGA market in the UK, but the data we have gathered from members could be seen as an indication of its size and diversity. Based on our members' reported premium levels, these MGAs represent a significant proportion of the UK market.

Finally, I would like to extend my sincere thanks to all the members who so willingly provided their information for the survey.

Peter J Staddon
Managing Director of the Managing General Agents' Association

February 2019

ABOUT THE MGAA

The Managing General Agents' Association (MGAA) is the UK-based not-for-profit organisation dedicated to providing a voice for and representing the interests of Managing General Agents (MGAs) across the UK.

Formed in 2011, the MGAA works to provide a better understanding of the role of MGAs and the considerable contribution they make to the insurance industry, and to drive best practice in the sector.

Alongside its 136 full members, there are 37 market practitioners representing the insurer and capacity provider markets and 64 supplier members providing legal, compliance and regulatory, IT and claims solutions to this sector.

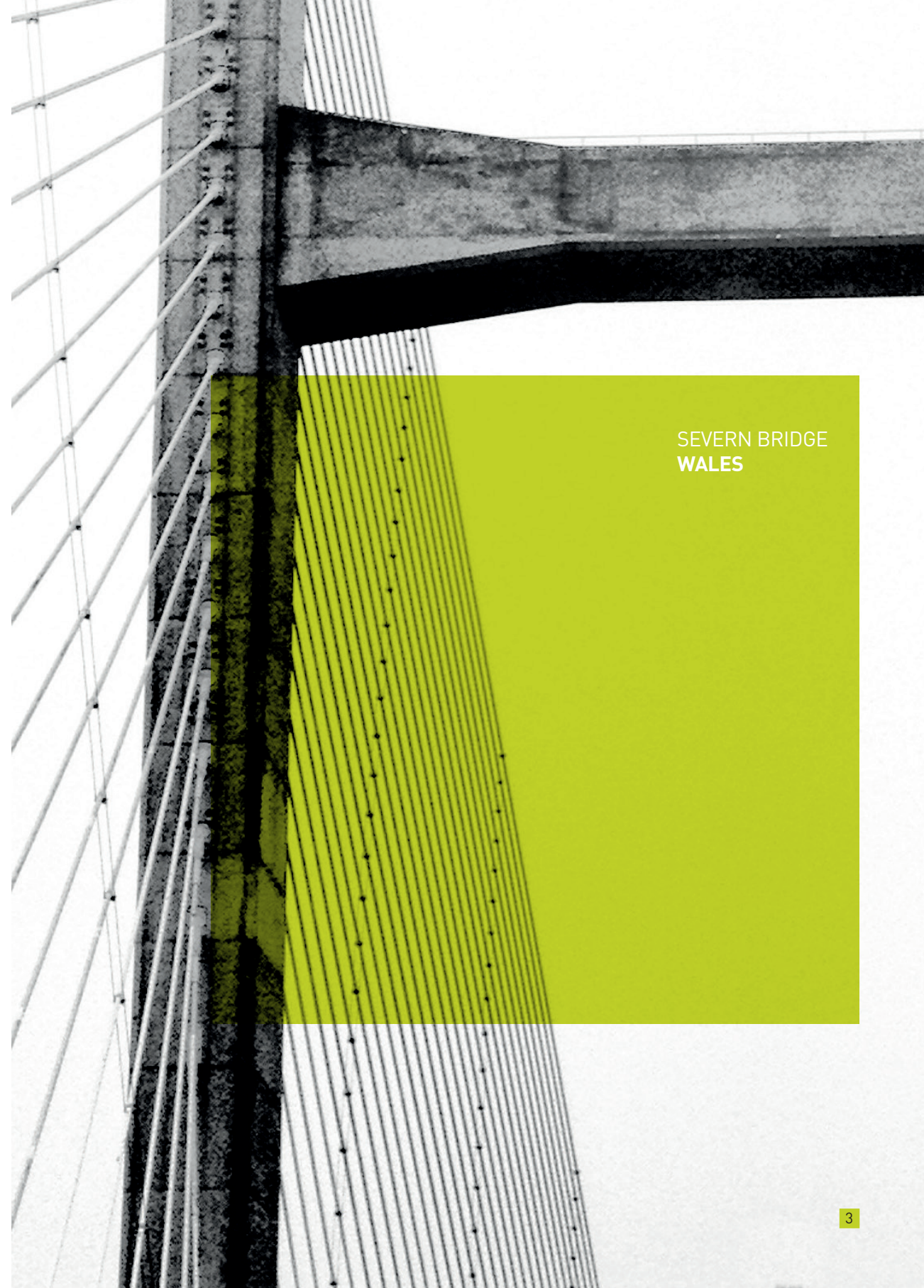
A board of elected directors from across the MGA, supplier and carrier sectors lead the organisation. In addition, there are five dedicated committees that deliver benefits for members.

More information can be found at:

www.mgaa.co.uk



Formed in 2011, the MGAA has 136 full members.



SEVERN BRIDGE
WALES

EXECUTIVE SUMMARY

This profile of UK MGA membership provides an overview of a thriving group of diverse underwriting businesses.

- ▶ Membership stands at 136* MGAs.
- ▶ The membership ownership structure is predominantly private, with 15% of the membership broker owned and 10% owned by insurers.
- ▶ The membership underwrites close to £6.1bn in GWP, of which 35% of UK written business relates to international risks.
- ▶ The membership writes in excess of 100 lines of business. The main lines are professional indemnity, public liability, employers' liability, and commercial and residential property owners.
- ▶ Members' relationships with brokers and residential is key, with over 84% distributing their products via this channel.
- ▶ There are 150 capacity providers supporting the members. Lloyd's plays an important role, representing over 40% of the total. Sixty-five percent of the members are Lloyd's coverholders.

TRANSPORTER BRIDGE
MIDDLESBROUGH

*The survey was completed by 122 members.

METHODOLOGY

While data on members is regularly collected, this is the first time the majority of UK members have been surveyed across such a wide range of information on their businesses and activities.

Data was gathered from the UK membership between March and October 2018 using a standard question set and collected by personal contact with individuals within the firms online, face to face and telephone.

All premium and financial related data is presented in UK sterling.

Data was obtained from 122 of the 136 members.

The members were contacted individually to participate, and all freely provided their data with enthusiasm and a keenness to share information.

All individual data captured from member firms is treated as confidential. We agreed only to use such data in an anonymised format with other members' data.

THE UK MGA MARKET

There is no definitive information on the overall size and scale of the UK MGA market. It is estimated that there are in excess of 300 MGAs underwriting over 15% of the UK's £50 billion general insurance market premiums.

While MGAs may be perceived as a new business model, delegated authority underwriting dates back to the 19th century.

The primary function and focus of an MGA is the provision of underwriting services, and its primary fiduciary duty is to its insurer principal.

MGAs provide professional underwriting services on behalf of capacity providers that want to access specialty and niche markets without the cost and resources required to underwrite this kind of business themselves. At the same time, they provide brokers with preferential service and a wider range of product and insurer options.

Despite this position in the insurance supply chain, the regulatory framework categorises MGAs as 'insurance intermediaries'.



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CLIFTON SUSPENSION BRIDGE BRISTOL

MILLENNIUM BRIDGE
LONDON

MGAs AND CLAIMS

– MANAGING THE PROCESS

Claims are integral to underwriting, so how they are managed is an important issue for MGAs.

There is greater clarity around the role of MGAs in claims and changing perceptions about the value of their involvement. So, rather than being seen as adding an additional layer to the claims process, MGAs are able to support the drive for best practice and achieving appropriate policyholder outcomes.

There is a fairly balanced split on how claims are managed across the membership between insurance carrier, in house by the MGAs, or outsourced to a third-party administrator.

How members' claims are handled



	%
By insurer	31
In house	30
Third-party administrator*	39



MGAs are able to support the drive for best practice and achieve appropriate policyholder outcomes.



*Outsourced in total or first notice of loss.

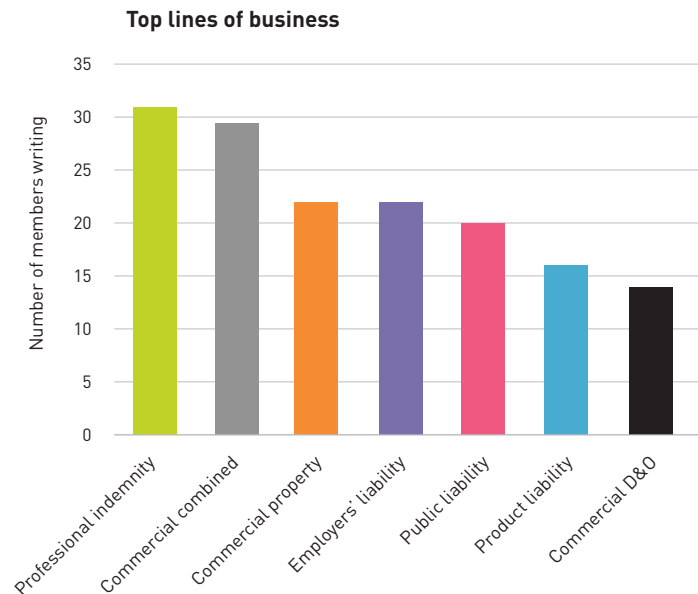
DIVERSE LINES OF BUSINESS

The diversity in lines of business that the membership writes is evidence of its appetite and ability to bring underwriting expertise, sector knowledge and experience to bear.

Delivering capacity providers with profitable business that they are unable to write efficiently themselves and offering brokers and other distribution partners access to new markets and product solutions, puts MGAs at the heart of the insurance industry.

The membership underwrites risks in excess of 100 lines of business.

While it is interesting to read the top lines of business, it is also predictable as these are the main classes written in the SME market generally, however many of the members offer diverse lines of business ranging from renewables to film and TV, patent infringement to marine terrorism. The growth of life and healthcare products is apparent with 30% of the membership writing medical, healthcare and life insurance.



BROKERS AND MGAs

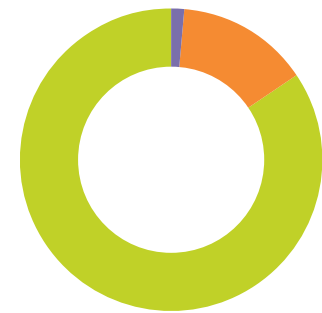
- THE DISTRIBUTION PARTNERSHIP

While MGAs bring expertise and experience to the development of specialty and niche products, distribution is key.

The growth of MGAA membership has, in no small part, been possible by understanding and supporting the evolving needs of its distribution partners.

Broker distribution is the most important partnership for MGAs, with over 84% working with this distribution channel. This far outstrips any other method of distribution.

Members' distribution method



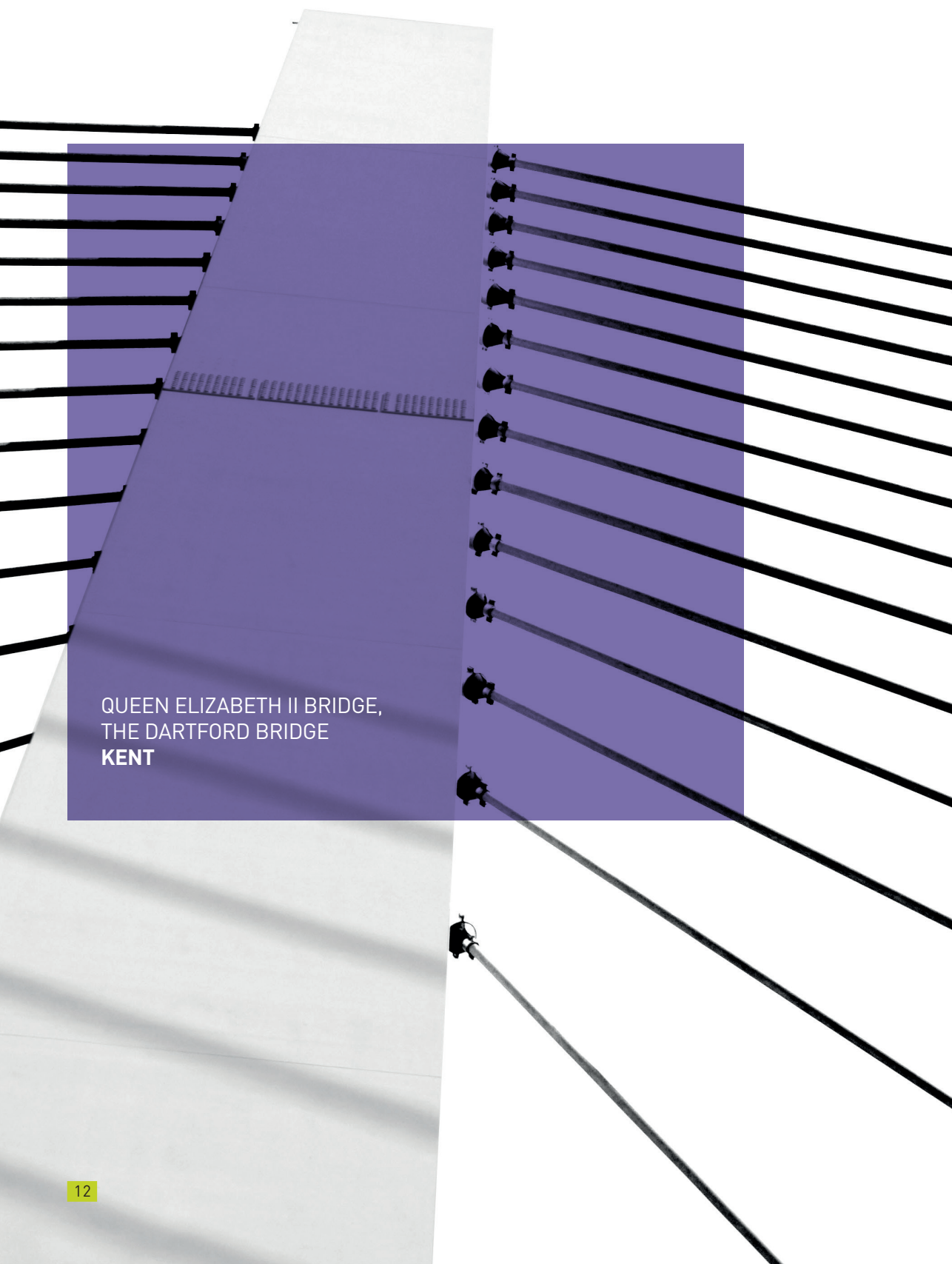
Direct only	2
Multiple distribution channels*	17
Broker only	103



84% of the membership place business via broker.



*Distribution channel via broker, electronic trading and coverholder.



QUEEN ELIZABETH II BRIDGE,
THE DARTFORD BRIDGE
KENT

TECHNOLOGY AND INSURTECHS

- A MUTUALLY BENEFICIAL RELATIONSHIP

The continuous effort by our members to employ innovative technology within their operations is crucial for the evolution of the sector.

Our MGA members work with a broad range of third-party providers to supply their software infrastructure. Over 20 different third-party providers of underwriting systems currently work with one or more of our MGA members, amounting to just over half of our total MGA membership. The other half have developed their own bespoke underwriting system to support their trading requirements.

The total number of unique underwriting systems operated by our MGA members illustrates the diverse operational and analytical processes required to trade within niche specialist markets. Technology suppliers and vendors should view the MGA market as offering a variety of use cases for the integration of innovative technology into various parts of the risk-to-capital chain.

The MGAA seeks to make the MGA market synonymous with InsurTech. The nimble nature of the MGA model creates the ideal environment to demonstrate the commercial value of being a truly technology-enabled business.

Members' external and internal underwriting system



	%
Own bespoke trading system	46
External system provider	52
Other	2

DEVELOPING TALENT

– EDUCATION AND TRAINING

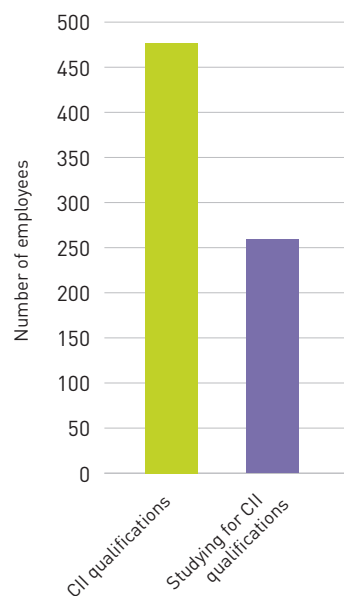
Investing in and supporting the development of MGA staff at all levels of knowledge and experience is an important factor in building a strong skills base and driving professionalism.

Staff in the MGA membership have achieved, and are actively studying for, CII qualifications.

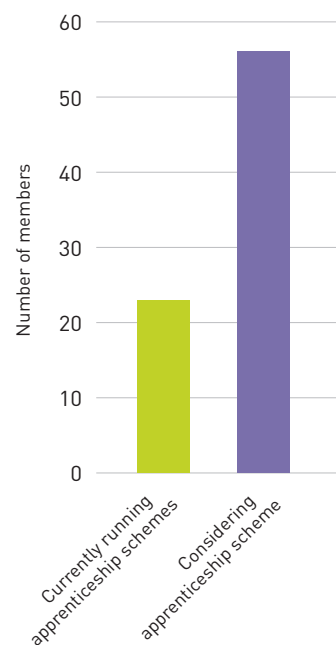
Attracting and nurturing new talent is an important focus for MGAs. It supports growth, helps in delivering innovation and succession planning. MGAs are turning to apprenticeship schemes to find the talent of the future.

Education and training remain an important strategic focus for the Association including plans to launch a dedicated MGA training tool with the CII, and a commitment to achieving Chartered Status.

Employees' qualifications



Members' apprenticeship schemes



CAPACITY PROVIDERS

The fact they can provide insurers with profitable business across niche and speciality lines of business, using an efficient business model, is why so many providers look to support MGAs.

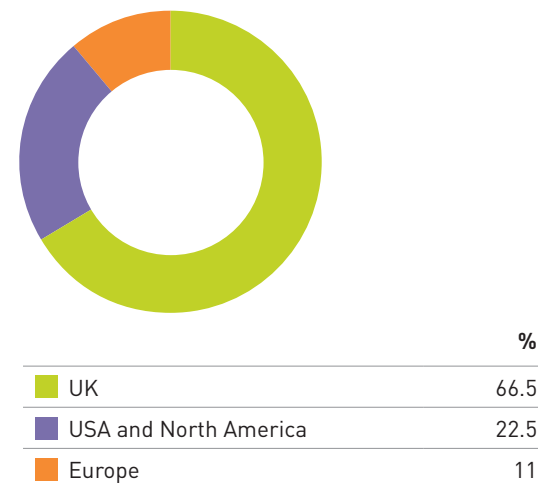
With the membership writing over £6.1 billion worth of gross written premium, access to and the development of robust capacity relationship is paramount to the MGA sector.

There are 60 Lloyd's syndicates supporting MGA members, representing over 40% of the total capacity providers, with the overriding capacity being provided by the general insurance market.

Eighty-nine members have Lloyd's coverholder status.

The analysis shows that UK MGAs are also writing significant sums in USA and North America as well as in Europe.

Written premium per territorial limit



CONCLUSION

I hope our first MGAA members survey report has provided some useful insights into our members' businesses, and perhaps a more in-depth understanding of the MGA market. As our survey has revealed, our members write over £6 billion in gross written premium in nearly 250 different classes of business, with brokers playing a key role in distribution.

This demonstrates that MGAs are playing an increasingly useful and important role in the UK insurance market, leveraging their niche areas of expertise and their entrepreneurial approach to underwriting specialty business.

I'm pleased to say that this growing role is being reflected in the membership and active participation in the MGAA, now in our ninth year, which exists to represent and act on behalf of our members and reinforce best practice.

I firmly believe that the role of MGAs in providing underwriting expertise on behalf of their capacity providers will become increasingly important, providing disciplined and value-adding access to entrepreneurial and niche expertise in what continue to be challenging market conditions.

Charles Manchester
Chairman



MEDIA CITY FOOTBRIDGE AT
SALFORD QUAYS
MANCHESTER