

How to Survive and Thrive in a Competitive Market

The MGA Guide – 2024

Contents

Introduction	3
Top Challenges Facing MGAs	4
Market Opportunities	6
3 Strategies to Surpass the Competition	7
Checklist: Key Characteristics of a Modern Digital Core	8
Origami Risk + Dais Technology	9

Introduction

The managing general agent (MGA) market is experiencing a staggering period of growth. According to a recent [Conning release](#), the 24% growth of the MGA market in 2022 outpaced property and casualty (P&C), with the total U.S. MGA market exceeding \$85 billion in direct premiums. By comparison, the MGA market wrote just \$62.5B in premium in 2020, [according to AON](#).

The sector's dynamic and responsive nature continues to attract substantial investment and talent in 2024, with both new start-ups and digital MGAs entering the market and incumbents looking to expand.

In this period of heightened competition, MGAs find themselves in a battle for relevance and profitability. The new players entering the marketplace have embraced digital technologies in their operations, and the integration of insurtech solutions has allowed them to offer specific customer segments even more innovative and tailored products.

The key to success for MGAs in 2024 and beyond will be their ability to rapidly adopt innovation while maintaining their hallmark understanding of niche insurance segments and associated relationships. Those who can effectively do this are likely to thrive, offering a compelling mix of experience, innovation, and customer-centric solutions.



Top Challenges Facing MGAs

The insurance landscape is undergoing a rapid transformation. Fueled by technology's impact on how people live, work, and interact with products and services, the shift is further complicated by a lingering hard market across some policy lines. Each of the following dynamics plays a pivotal role in reshaping how MGAs operate and deliver coverage to individual consumers and businesses.

Keeping Up With Technology

The versatility of MGAs has been a significant factor contributing to the market's recent success and growth. It will also be the key to continued relevance for many incumbent MGAs as they seek to meet evolving customer expectations and navigate a volatile economic environment.

According to the Clyde&Co report, *MGA opinion report 2023 – Sector continues to thrive*, 65% of carriers say that their reliance on technology and data has increased, while 45% of MGAs echo this sentiment. Many well-established MGAs still operate with outdated legacy systems that make reacting to changing market conditions and quickly launching new products overly difficult, if not impossible.

Technologies, such as smartphones for policy handling and claims reporting, have altered customer expectations for insurance access and retention – as well as carrier responsiveness. The potential gains are huge for MGAs that invest in technologies that expand their distribution channels and provide digital services to customers. The Clyde&Co report notes the use of technology in risk selection and pricing (85%), data and insight (90%), and claims analysis (54%) as the competencies MGAs are most looking for. At the same time, carriers and insureds alike are identifying technology competency as a critical aspect of their partnerships.

The cost of not embracing digitization is significant. Those who do not adapt will fall behind. According to a recent [ReSource Pro article](#), 33% of MGAs plan to add insurtech partners and 40% expect to grow current insurtech partnerships over the next three years, including distribution platforms and digital agencies.

Rapid Growth

Technology can help MGAs streamline their operations, reduce costs, and enhance their service capabilities. They can also lower barriers to market entry and enable new competitors to enter and disrupt the market.

According to the *Property/Casualty MGA Core Systems: Overview and Solution Providers* report from Datas Insights, almost three times the number of MGA solution providers are in the market today (23) than there were in 2019 (10). AM Best's *2022 Market Segment Report: Technology and Talent Drive MGA Growth* estimates that the premium generated through the MGA market has doubled over the past decade, as acquisitions and consolidations of insurance distributors have led to a decline in the number of brokers.

Staying relevant is therefore not just about embracing technology but staying ahead of the curve with *the right* technology. MGAs should actively seek out and invest in solutions that align with their business goals, enable them to meet the evolving needs of the market, unlock new possibilities, and drive excellence. Whether implementing advanced analytics to better understand risk or adopting digital platforms for seamless interactions with insureds, innovation is the key to rapid and sustained growth.

Evolving Customer Needs

Customers increasingly demand seamless, tech-driven experiences. Because of this, traditional models of operation are no longer sufficient. MGAs stand to gain prominence when they offer consumers digital options and more flexibility.

The McKinsey & Company article *Elevating customer experience: A win-win for insurers and customers* noted findings from their recent survey that more than 30% of North American insurance consumers are not satisfied with the digital channels available from their insurer. This could be a detriment when up to half of customers now prefer to use digital channels for customer experiences, for everything from research to making an account change.

From underwriting to claims processing, the adoption of digital capabilities is about keeping up with industry standards while also anticipating and exceeding customer expectations. MGAs must account for a diverse range of customer preferences as new generations of customers enter the market. This necessitates not only leveraging advanced technologies for smoother operations but also exploring new distribution channels to reach customers where they are most active and receptive – whether through innovative online platforms, strategic partnerships with emerging tech-driven firms, or tapping into niche markets via targeted digital marketing.

Market Opportunities

Despite these challenges, the current market landscape presents promising opportunities for the MGAs that are ready to grab them, particularly in the realm of personal lines insurance. Traditional insurers are increasingly turning away from complex exposures, creating a void that MGAs, given their particular areas of expertise, can effectively fill. This shift is not only driven by the desire to mitigate risks but also by the growing complexity of risk factors, a hardened market, and increased exposures to catastrophic events. As personal lines insurers become more selective, MGAs have an opportunity step in to provide coverage for risks that may be deemed too challenging or specialized.

The opportunity for carriers to venture into excess and surplus (E&S) lines by either establishing a new MGA or forming partnerships with existing ones is another notable trend. This move allows insurers to diversify their portfolios and tap into markets that demand specialized expertise. As risk complexity continues to rise, policyholders are likely to seek more guidance from their agents or brokers. MGAs can capitalize on this by positioning themselves as trusted advisors and niche experts that provide valuable insights and tailored solutions to their distributors. In a competitive market, the ability to serve as a trusted advisor is even more of a differentiator.

There is also a growing trend toward increased specialization. The ability to better estimate risks is leading to the emergence of new niche markets. MGAs can cater to very specific markets, driving further specialization across the entire industry.

3 Strategies to Surpass the Competition

The market has entered standing-room only territory. To rise above the crowd, organizations will need to break down silos, remove bureaucracy, and empower their teams. For a head start, MGAs should prioritize these three strategies.

1 Embrace technological evolution

The new players are finding success by adopting new, cutting-edge technology. In 2022, ReSourcePro found that about 25% of MGAs were classified as “digital platform” or “digital native” MGAs, showcasing the industry’s technological shift. These newcomers operate on modern software that offers advantages such as cloud compatibility, multi-tenancy, and the ability to launch new products rapidly.

To compete, traditional MGAs have to embrace the importance of staying current with technology trends. This cannot be avoided. Having a nimble and flexible tech infrastructure is critical in an industry where swift problem-solving is a competitive advantage. This agility is particularly valuable in handling rapidly fluctuating risks and editing underwriting rules and criteria promptly.

2 Integrate industry knowledge

The credibility of MGAs still hinges on their profound understanding of the insurance industry and the relationships they’ve built within it. This expertise must now be fully incorporated into all of the MGAs’ digital solutions, preserving their competitive advantage despite the rapidly growing impact of insurance industry talent drain. By combining a strong technological infrastructure with industry-specific expertise, MGAs can continue to offer tailored solutions that go beyond basic account management and provide their hallmark service in a more modern digital format that aligns with today’s customer expectations.

3 Leverage a modern digital core system

A modern digital core system can serve as the backbone of operations and facilitate the seamless integration of technology and industry knowledge. For MGAs, such a system includes various modules and functionalities designed to streamline and optimize operations related to policy administration, underwriting, claims processing, and other critical aspects of the business — all in service of customer and user experience. This centralized approach not only fosters operational efficiency but also enables MGAs to rapidly adapt to evolving market dynamics and bring new products to market fast.

Checklist: Key Characteristics of a Modern Digital Core

Each MGA's digital core should be designed to fit for purpose. An effective system will meet the following criteria:

- ✓ **Cloud native:** Cloud-native systems are secure, scalable, and allow for flexible deployment. This is achieved at a lesser cost when compared to systems that require constant investment in hardware and software.
- ✓ **Multitenancy:** By combining configurability with a common code base, modern digital core systems are designed to serve multiple clients or business units. The benefits of such systems include best-in-class security, proven dependability, trouble-free updates, and seamless integrations.
- ✓ **Agility and flexibility:** Flexibility is crucial for MGAs facing rapidly fluctuating risks and evolving industry landscapes. Modern systems promote both business and IT agility, allowing organizations to quickly adapt their operations and technology infrastructure to these changing circumstances.
- ✓ **Improved time to market:** A key benefit of modern digital core systems is the ability to accelerate time to market for new insurance products and services. This is essential for MGAs looking to stay competitive and respond to market demands in weeks instead of years.
- ✓ **Enhanced customer experience:** The system is designed to improve the overall customer experience for agents, brokers, and end users. This includes user-friendly interfaces, fully branded customer portals, efficient communication channels, and tools to meet evolving customer expectations.
- ✓ **Reduced technical risk:** Modern digital core systems are engineered to minimize technical risks associated with outdated or incompatible technologies. This ensures a more stable operational environment.

Origami Risk + Dais Technology

Time is of the essence – especially as more competitors enter the market each year. The months or years it can take some legacy providers to get solutions up and running can cost an organization in relevance, reputation, and customer retention.

“Delays of just a few months can cost millions of dollars of lost revenue,” according to the McKinsey & Company article *[Countering inflation: How US P&C insurers can build resilience](#)*.

To better serve insurers and MGAs looking to upgrade their technology capabilities, Origami Risk, an organization known for its modern, end-to-end, multitenant SaaS platform for insurance, has added [Dais Technology to its portfolio](#). Unlike traditional players, Dais excels at expediting the launch of new insurance products, catering specifically to MGAs and carriers seeking to swiftly launch and test new product lines.

Dais is making it easy to create, sell, and distribute insurance products via an event-based, API-driven, no-code product platform. It helps MGAs get to market fast with product changes and new products. The Dais solution offers quote/rate/bind, policy management, rating as a service, turnkey connectivity, automation, broker and customer portals, and self-service product management. API functionality supports integration with distribution partners, making it an exceptional tool for embedded insurance and custom products. With Dais, MGAs can set up an insurance product from scratch within weeks.

Dais is a perfect complement to Origami Risk, which offers a comprehensive, end-to-end platform for insurance policy, billing, claims, risk management, and loss control. Origami is recognized as providing a speed-to-value advantage in modernizing legacy core systems and launching new products.

Collectively, both technologies can add value to the entire insurance ecosystem.

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ORIGAMI RISK

About Origami Risk

Origami Risk is a modern cloud platform for insurers, MGAs, Pools, and TPAs looking for speed-to-value advantage in modernizing legacy core systems and launching new products. Origami's multi-tenant SaaS architecture offers a lower cost of ownership that alleviates painful upgrades or expensive IT resourcing while continuously delivering new innovative development. The Origami core platform for policy, billing, claims, risk management, and loss control is built for scalability allowing customers to extend business footprints, easily integrate with the insurance ecosystem, and un-silo data to yield powerful business insights.

Learn more at
origamirisk.com