



# MGAs and their place in the UK insurance Market – Manchester

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**GDPR COMPLIANT**

# AGENDA LEARNING OBJECTIVES



- What is a MGA – their unique benefits
- What MGAs bring to the market
- Where they fit in UK Insurance Market
- What is their fiduciary duty
- How does FCA view MGAs
- Why MGAA formed

**We all need to recognise that  
change is coming!**

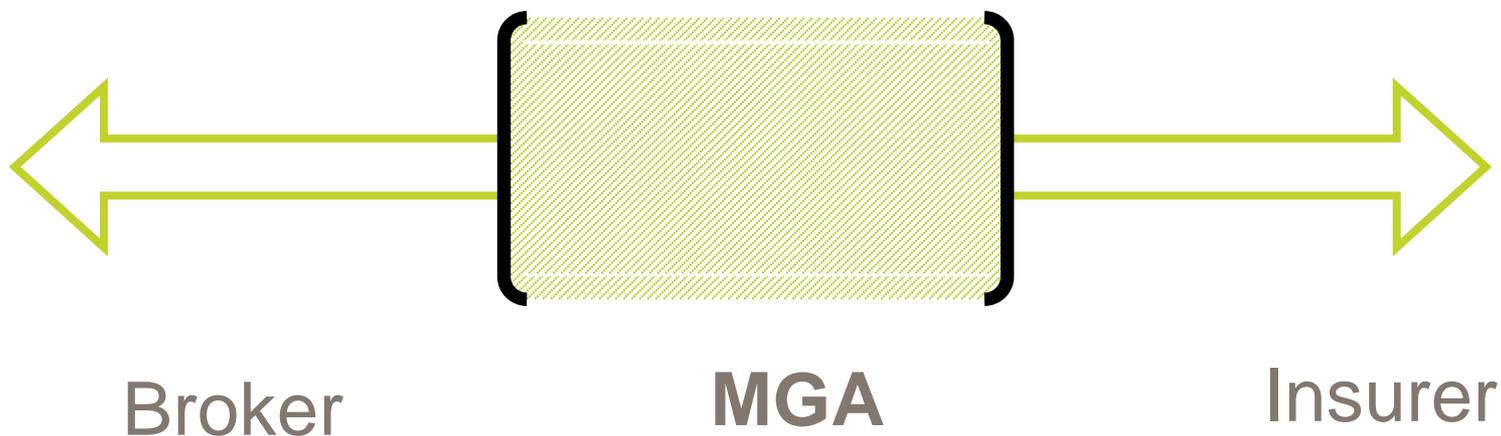


# HISTORY OF UNDERWRITING AGENCIES & MANAGING GENERAL AGENTS



# Distribution Model

*All MGAs are coverholders **but** not  
all coverholders are MGAs!*



# Where does their authority come from



Binders

Delegated Authority

Permissions

# The Role of an MGA



- Performs many of the functions normally undertaken by Insurers, acting as their agent under a contractual “delegation of authority”
- Combined Operating Ratios
- Generally acts as an intermediary between the Insurer and the retail broker, who are agents of the insured
- Rare for MGAs to take a share of individual insurance risks. Risk-bearing stays with the Insurer

# FIDUCIARY DUTY



The MGAA has defined an MGA as:

“an agency whose primary function and focus is the provision of underwriting services and whose primary fiduciary duty is to its Insurer principal

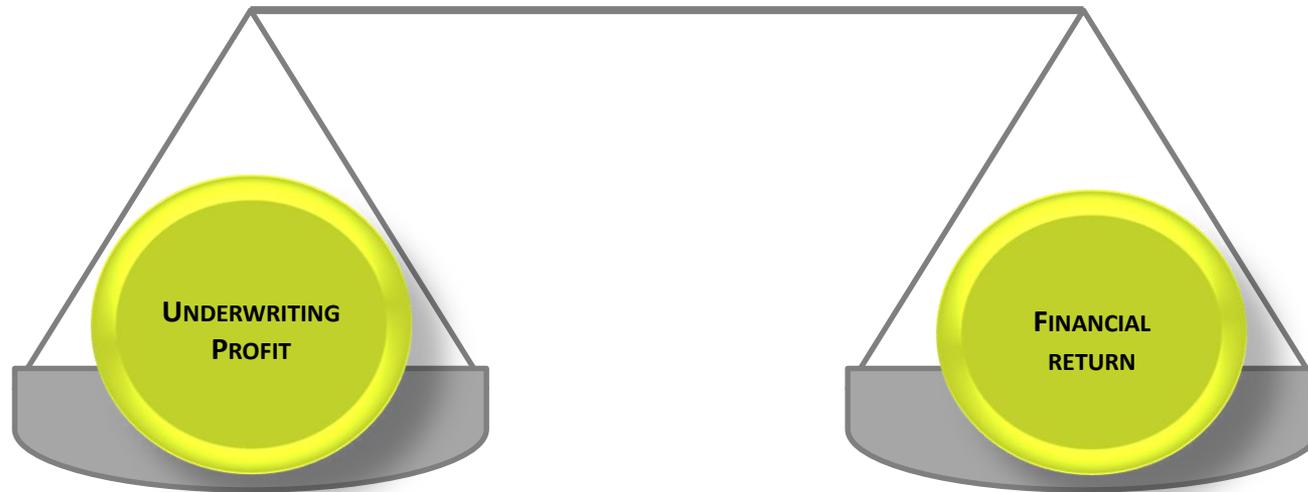
# What is driving the emergence of MGAs?

*“Brokers interested in alternative distribution opportunities may look to acquire digital MGAs in 2018-2019. **MGAs are authorised to perform certain functions ordinarily handled only by Insurers** - binding coverage, underwriting and pricing, appointing retail agents within a particular area and settling claims – **which are attractive to small-to-medium businesses that don’t want to buy insurance through traditional brick-and-mortar brokers**. Acquiring an MGA can be less expensive for a broker to offer these services than develop them in-house”*

*Deloitte Insurance Outlook 2018*

# Why an MGA?

But only if MGA maintains balance between underwriting profit and their own financial return



# Regulation and Governance of MGAs

- Living in a Regulated environment
  - Insurers, Brokers and MGAs all now regulated by FCA
  - Insurers subject to Solvency 11 from the EU
  - Lloyd's put in place strict rules for delegated authorities
  - New Senior Manager Regime phasing in over next 2 years
- FCA-Financial Conduct Authority key objectives:
  - Secure an appropriate degree of protection for consumers
  - Protect and enhance the integrity of the UK financial system
  - Promote effective competition in interests of consumers

• “

# Regulation and Governance of MGAs

- FCA- “Culture of good conduct” more than good governance and compliance
- MGAs need to believe in and demonstrate:
  - An ethical culture which fits the organisation
  - Driven by visible commitment from/at the top
  - Well communicated internally and externally
  - Supported by compulsory and continuing education
  - Subject to strong monitoring
  - Supported by- not subverted by- recognition and reward
- The Values + Ethics + Conduct = Culture continuum

Your reputation is more important than your paycheck, and your integrity is worth more than your career.

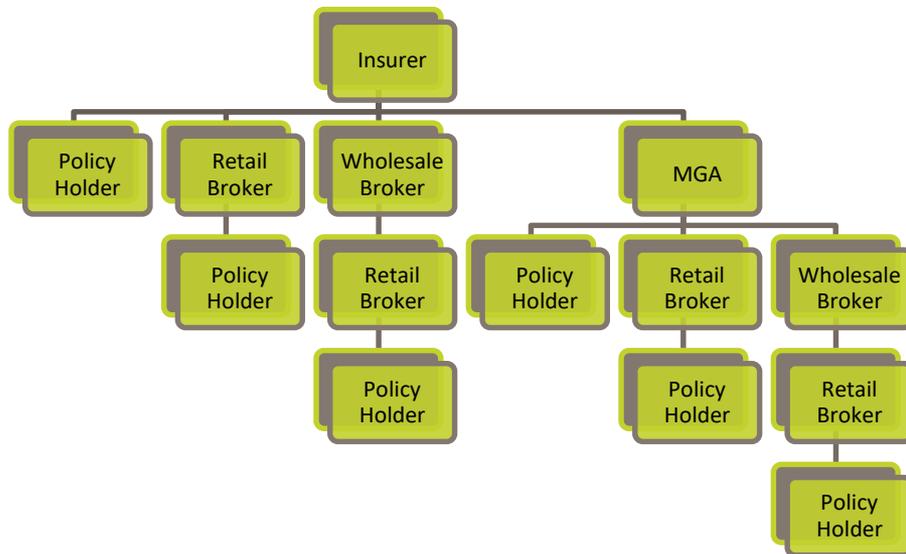
*Startup Quote!*



**RYAN FREITAS**

*FOUNDER, SECOND VERSE*

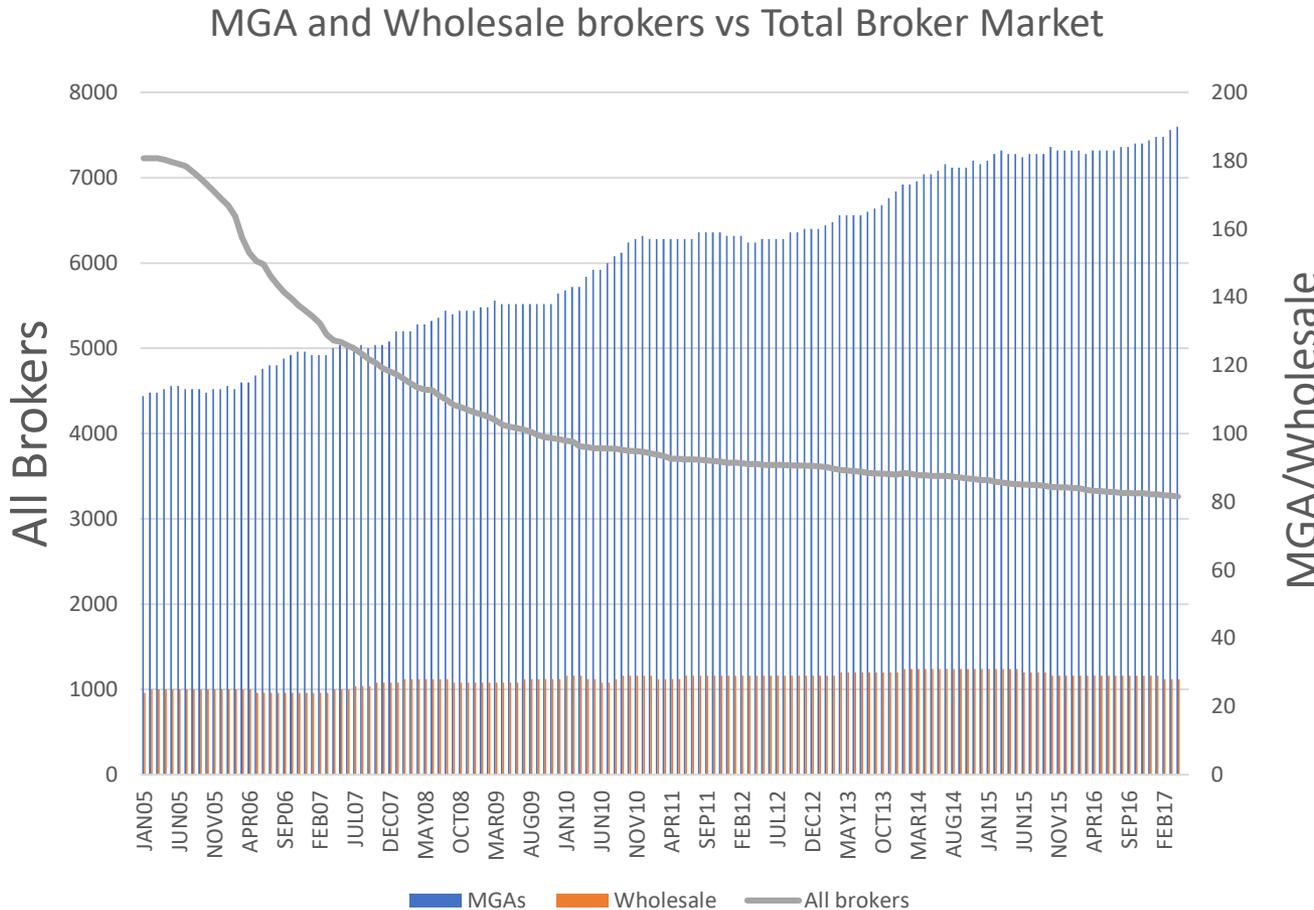
# MGAs in the Market



- Most MGAs don't go direct to Policyholders
- MGAs access most of their business from Retail Brokers
- Most MGAs underwrite specialty commercial business for SME Policyholders
  - Liability, commercial combined, commercial motor, financial lines, marine
- And non-standard and high-hazard personal lines

# Development of the MGA Market

MGAs as % of market have dramatically increased (factor of 3)



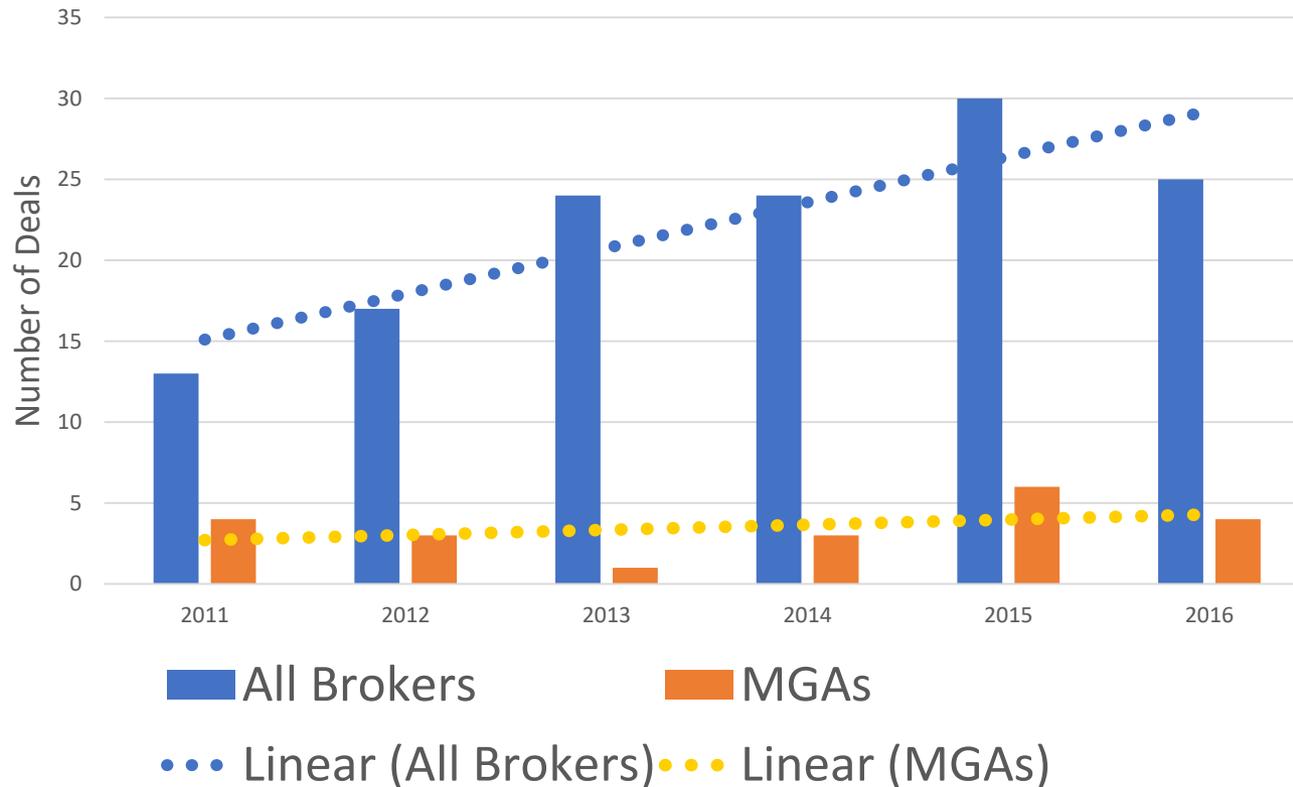
- Since the industry became regulated in 2005, the number of FCA authorised entities has almost halved
- In the same period, MGAs have increased by over 50%
- Wholesale broker numbers have remained static

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# M&A ACTIVITY

MGA M&A activity has been increasing, but not as fast as for brokers generally.

## M&A Deals 2011 to 2016



- Broker M&A activity has significantly increased, whilst targets have decreased
- MGA negligible increase in M&A activity, whilst numbers increasing
- MGA numbers continue to increase?

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Managing  
General Agents'  
Association

**MGA**A

# THE MGAA

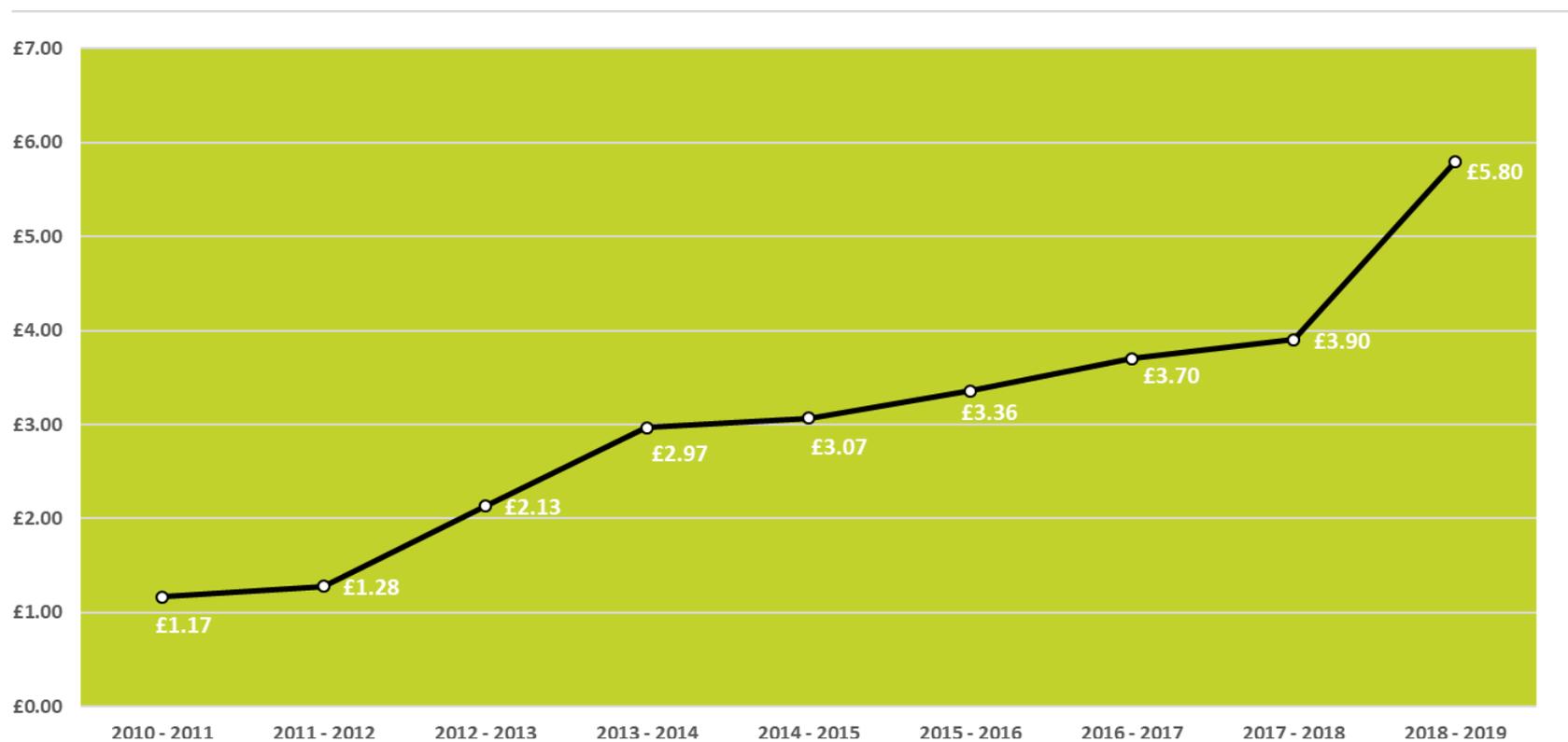


BE PART OF  
OUR FUTURE



THE TRADE  
ASSOCIATION  
FOR MGAs

# Membership of the MGAA



# The Role of the MGAA and it's Objectives

**Convey** the views of its members to UK and European parliaments, government departments, regulators and other relevant insurance organisations

**Represent** members' interests in negotiations with bodies whose rulings, regulations or controls may impact members

**Set** best practice guidelines to assist members in ensuring the stability, security and reputation of their MGAs

**Assist** insurance carriers that support MGAs to maintain the stability, security and reputation of their binding authority arrangements

**Work** proactively to improve the MGA sector's professionalism, stability and competitiveness

**Create** a technical centre providing commentary, information and guidance on relevant regulatory developments

**Seek** opportunities to promote training, education and high standards of products and services

# Q&A

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