

DRIVING MGA SUCCESS

# Boosting Efficiency and Growth with Innovative Tech



Managing General Agents (MGAs) play a critical role in offering niche products in today's fast-paced and multi-dimensional insurance landscape. They are responsible for managing the underwriting process for an insurer and providing them with a profitable scope of business. Bridging the gap between insurance carriers and insured clients, the success of MGAs depends on growing their abilities to provide specialized services. A report from [McKinsey](#) notes that currently about 600 MGAs handle around 7% of the overall commercial and personal insurance markets in the US, accounting for \$47 billion in premiums.

Most MGAs are experts in specific markets or across a line of business and can provide specialized knowledge and expertise to customers as well as to the insurer's underwriting division. The challenge is when they are seeking to expand their operations or even set up a new business. This requires a high level of agility as well as adaptability to stay ahead of the competition. Adhering to licensing and compliance requirements is non-negotiable as MGAs are the intermediaries between insurance companies and retail agents or brokers, responsible for multiple functions - from managing the underwriting process to setting rates and issuing policies. In other words, barring risk-bearing, they carry out pretty much most tasks that an insurance carrier does.

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## The Expanding Role of MGAs

As the insurance industry evolves digitally, the MGAs are playing expanded roles with greater responsibilities. According to a study by [Conning](#), US property-casualty insurers have seen significant growth in premiums sourced by MGAs. The study also estimates the total MGA market has exceeded \$70 billion in direct premiums and is expected to grow continuously. Given that they are often at the forefront in the process of identifying potential growth areas and developing customized insurance packages, the MGAs must have a multi-pronged focus. Utilizing their underwriting capabilities, the MGAs easily establish partnerships, obtain necessary licensing, manage claims, and settle disputes. Adapting to the market's changing demands is necessary for them to stay ahead of competitors. In doing so, MGAs provide significant value to insurers:

### Expertly Managing Diverse Portfolios

The MGAs bring specialized knowledge and expertise to insurers that they may lack internally. They can leverage their technical understanding of the insurance market, providing a deep level of insight that can help drive growth opportunities for insurers.



### Maximizing Market Opportunities with Niche

The MGAs can identify and develop niche products that meet the needs of a particular market segment. As markets evolve, MGAs are leading the way in creating unique insurance offerings with tremendous potential for profitability.



### Reducing Operational Costs

Specialized and extensive knowledge of MGAs helps insurers better understand the nuances of each product line or region in which they operate. Insurers benefit by reducing operational costs with in-depth visibility into their markets and more insight into each product's performance.



### Minimize Risk

By leveraging their expertise, the MGAs can mitigate risk for insurers while also assessing and managing the potential risks of a particular coverage or customer segment, reducing exposure for companies and enabling them to focus on growth opportunities.



## Expanded Geographic Coverage

Through partnerships with the MGAs, insurers gain access to new markets around the world at an accelerated rate. By leveraging regional distribution networks and utilizing a more localized understanding of specific markets, MGAs can quickly establish a presence in new regions.



## Speed and Innovation

The MGAs have been instrumental in driving innovation as the insurance industry progresses towards digital-first models. They are automating and optimizing processes to ensure faster turnaround times and meet customer demands. By utilizing sophisticated technologies, they are providing insurers with increased speed and effectiveness in creating personalized offers for customers.





## Some Challenges in the MGA Lifecycle

The MGAs thrive amidst multiple challenges in a highly competitive industry where speed-to-market and capturing market share are the prime targets. They also need to keep costs in check as a function of measurable effectiveness and efficiencies, both of which can be driven through technology innovations. In addition, the MGAs need to have their ears to the ground for technology upgrades that can help them overcome these challenges. Most importantly, they need to ensure compliance across States. Let's look at some of the challenges:



### Managing Agility

Capitalizing on opportunities for providing new or alternative products and services is critical for MGAs. It requires an analytical eye to spot potential opportunities and the agility to pivot their business model by capitalizing on them. These rapidly. They must proactively form and manage insurer partnerships.



### Controlling Costs

MGAs must also seek ways of generating opportunities for fronting carriers while minimizing operational costs and effort. It is difficult to strike a balance between fulfilling the needs of both parties. They require an understanding of how cost-saving strategies such as automation through technological tools can streamline processes. Data-driven decisions can ensure profitability without compromising on quality or service delivery.



### Maintaining Market Share

As competition increases in the MGA space, being first-to-market assumes a higher priority, given that it enables the MGAs to secure their share of business early on. It is not enough to just innovate and develop new products, they also need to move quickly to outrun their competitors.



### Keeping Up with Change

The rapid pace of technological change poses a challenge for MGAs. It requires them to keep up with industry trends and upgrade legacy business models using disruptive technologies. Traditional business models are no longer profitable, requiring MGAs to adapt and innovate to remain competitive. New insurance technologies are also lowering entry barriers for new entrants who have the potential to disrupt traditional MGA business models.



### Ensuring Licensing and Compliance


MGAs seeking to establish themselves their presence and sustain through the ever-changing regulatory landscape must navigate its complexities. These regulatory requirements are often complex and constantly evolving across multiple areas such as accounting, underwriting, licensing, and consumer protection. Further, by dedicating resources to risk assessment and policy adherence, MGAs guarantee their operations continue without compliance-related disruptions, building trust and credibility with both insurers and policyholders.



# The Road Ahead to Streamlining Operations


The insurance industry was once considered a slow mover in digitization efforts, but today it is at the forefront of this disruption. Given the fast-paced changes in technology adoption and innovation, it becomes critical that the MGAs stay ahead of the curve with the right quantum of investments in solutions that support their operations. Going beyond the legacy systems and processes, they need to invest in an agile operational model that uses data on the fly to develop strategies and capture new opportunities.

Given that digital disruption comes at a cost, MGAs could look towards working with strategic partners in the Insurtech domain who can provide the expertise across streamlining operations, enhancing customer experience, and helping the MGAs use technology to reduce operational time and costs. Given below is a step-by-step process that MGAs can adopt:




## Assess Current Operations and Identify Opportunities for Improvement

The first step in transforming operations is understanding current processes. MGAs should conduct a thorough audit of their existing workflows and identify bottlenecks to define areas for improvement. It will help them understand where technology adoption can be most beneficial.




## Create an Agile Working Environment

Adopting agile methodologies enable MGAs to innovate faster and respond effectively to changes. Create cross-functional teams to promote collaboration among IT and insurance professionals. Fostering a culture of continuous learning to keep pace with industry changes.




## Embrace Digital Transformation

MGAs need to leverage technology to optimize business processes and deliver superior customer experiences. Embracing digital transformation enables MGAs to automate manual tasks, reduce operational costs, and improve efficiency.



## Partner with Innovative Insurtech Companies

MGAs can leverage the expertise of Insurtech companies to implement cutting-edge solutions. These partnerships can provide access to new technologies such as AI, machine learning, and blockchain, which can significantly enhance operational efficiency.



## Spotlight Customer-Centricity

In a highly competitive market, MGAs must prioritize the needs of their customers. Incorporating a customer-centric approach ensures that MGAs effectively cater to the evolving demands of policyholders and agents. It is essential to foster loyalty and improve customer retention.



## Power Decision-making with Data

Harnessing the power of data analytics and machine learning allows MGAs to make informed decisions. Gather data from multiple sources, such as customer interactions and operational performance, to gain new insights. Stay updated with industry trends to make more informed decisions. Data-driven insights help drive growth in product development, pricing strategies, and risk management.



## Setting up Shop and Getting off the Block Fast

Technology and digitization are key catalysts in driving innovation and efficiency within the insurance space. For example, ensuring data integrity and accuracy in processing is crucial. Equally important is establishing a downstream accounting process that covers everything from premiums to re-insurance, commissions to claims, and tracking operational expenses. MGAs also require a framework that facilitates accounting compliance with various regulatory requirements, generation of financial statements for both external and internal consumption, and a reconciliation system that is robust enough to ensure efficient and quick settlements. These systems then combine to provide insights into business performance at granular levels.

Integrated policy and claims management platforms offer numerous benefits for the MGAs including:

- A unified platform for tracking and managing policy lifecycle events
- Rapid adaptation to new products or operational changes
- Real-time data availability for informed decision-making
- Enhanced claims handling with automated workflows
- Improved collaboration between sales, underwriting, and claims teams
- Enhanced customer service through transparent and efficient processes

Such platforms provide the MGAs with a competitive edge, allowing them to respond more swiftly to market opportunities.



## Xceedance: Empowering the Way Forward

As a strategic partner to insurers and MGAs, Xceedance provides end-to-end support in key components of their lifecycle, including technology, analytics, underwriting, claims, and policy administration processes. Partnering with Xceedance presents a multitude of advantages for both legacy and new MGAs:

- Access to cutting-edge technology with Xceedance proprietary accelerators
- Accelerated Duck Creek implementation, migration, and upgrade
- Consistent guidance in achieving and maintaining compliance through Strategic Operations Support (SOS)
- Deep insights powered by data analytics to identify growth opportunities
- User-focused functionality with FNOL Process Automation
- Flexible and hybrid delivery models to improve speed-to-market
- Integrated functionality and cost control for higher ROI

## Success Story

The success of the real-life implementation of the deep expertise and advanced technology of Xceedance is evident through the growth of a leading E&S Insurer. Xceedance identified and resolved the customer's pain points by implementing a Core Platform. End-to-end assistance in technology rollout and upgrade was provided by domain experts. It resulted in the development of 50+ products and 4000+ forms across the client's multi-geography region. The client now reports a 30% increase in efficiency and a 25% cost reduction in a year. Automation helped significantly improve turnaround time for addressing any concern.

In essence, Xceedance serves as an enabler for MGAs to maximize their efficiency, pursue innovation, and stay ahead of their competition. We help in ensuring MGAs continue to play a pivotal role in an ever-evolving insurance landscape by keeping their systems and processes progressive.

## In conclusion...

The significance of MGAs in delivering niche offerings and driving market opportunities in the insurance industry is bound to grow. MGAs must focus on staying agile, fostering compliance, and embracing technology to maintain their competitive edge. Through strategic partnerships with service providers like Xceedance, MGAs can ensure they are best positioned to capitalize on opportunities while managing risk effectively.



[Learn more](#) about how MGAs can benefit through technology partnerships to build and grow their practice.