A&M | FINANCIAL SERVICES INDUSTRY GROUP

Insights for an Evolving Market

MGA Momentum:

Key Trends Shaping the Market in 2025

Introduction

The combined global revenues from Managing General Agents (MGAs), Managing General Underwriters (MGUs), and cover-holder groups reached $23 billion in 2023, according to industry analysis firm Insuramore[1]. This represents 20% annual growth from 2022[2], outpacing the global insurance broker sector by 8% during the same period[3]. MGAs have capitalized on specialized niches and technology expertise to fuel growth. Insurers have also turned to MGAs as a strategic partner to expand their share of direct written premiums across sectors. While these tailwinds have accelerated the rise and positioning of MGAs in the value chain, a wave of emerging trends is set to further reshape the MGA landscape.

Recent Growth Drivers

The MGA market has undergone a period of significant evolution and growth. Five trends have contributed to its recent success:

1. **Hard market conditions:** Higher premiums, stricter underwriting standards, and reduced capacity characterize today's insurance market. These conditions have driven more business to MGAs who offer more flexible and innovative solutions that traditional insurers may not provide. This has solidified the role of MGAs as essential players in the insurance value chain, particularly in providing coverage for complex and high-risk exposures.

2. **Influx of private capital:** MGAs continue to be attractive targets to PE firms and alternative capital providers due to their scalability, light capital structures, and high return potential. There are roughly 600 MGAs in the US that collectively place $47 billion in premiums, or 7% of the overall commercial and personal insurance markets[4]. PE firms use programmatic M&A to scale beyond the initial platform, evidenced by the rise in deal volume from 2014 to 2021 at a 30% CAGR.

3. **Demand for specialization:** Insurers increasingly turned to MGAs to provide underwriting, risk management, and claims handling services for specialized products, such as cyber insurance, environmental liability, and transaction liability coverage. MGAs, often focused on nonstandard or emerging risk, are well positioned to develop niche, complex products and meet market demand. For example, Excess &Surplus lines continued to drive demand for specialization with six straight years of double digit direct written premium growth.

4. **Increased collaboration with insurers:** MGAs and insurers collaborated to write more specialty business. Partnerships have enabled insurers to enter new markets, diversify risk, and offer products without the need to build in-house capabilities, while MGAs received access to capital and underwriting capacity to grow at scale. Collaboration with insurers was a primary driver behind direct written premiums generated by MGAs. MGAs wrote $81 billion in premium in 2023, which represents 15% year-over-year growth following 19% and 17% in 2022 and 2021[5], respectively.

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1 https://www.insuramore.com/wp-content/uploads/press_release_global_insurance_mga-mgu.pdf
2 https://www.insuramore.com/wp-content/uploads/press_release_global_insurance_mga-mgu.pdf
3 https://www.globenewswire.com/news-release/2023/05/30/2678252/28124/en/Global-Insurance-Brokers-Agents-Market-Report-2023-Players-Include-Chubb-Toyota-Motor-Arthur-J-Gallagher-Co-Bank-of-China-and-Hub-International.html
4 https://beinsure.com/top-ranking-mga-worldwide/
5 https://riskandinsurance.com/pc-premium-growth-from-mgas-surges-for-third-straight-year/

5 **Technology acceleration:** MGAs applied advanced technologies like AI and machine learning for policy management, quotation, and claims processing to enhance operational efficiency and the customer experience. Access to big data and data analytics capabilities also allowed MGAs to outperform traditional players in underwriting accuracy and risk selection.

Emerging Trends

A confluence of trends will further reshape the MGA landscape, presenting both opportunities and challenges for businesses.

Product innovation: MGAs are increasingly transitioning from offering standard insurance products to developing or acquiring more complex and specialized ones. A recent study revealed that 80% of startup MGAs have created their own products, frequently focusing on specialty lines, liability coverage, and parametric insurance[6]. This shift is driven by their ambition to address emerging risks and cater to niche markets. Additionally, the study found that 18% of startup MGAs are assuming risk themselves. This approach grants MGAs greater flexibility and control over their offerings, enabling them to serve niche markets with tailored insurance solutions while effectively managing potential loss exposure.

Market expansion: MGAs will look to expand into emerging markets where insurance penetration is low, and growth potential is high. An expanding middle class and increasing urbanization are driving demand for insurance in Asia-Pacific countries like India and Indonesia. Economic reforms and digitalization are also facilitating market entry into Latin American countries like Mexico and Colombia. These regions offer opportunities to introduce new products tailored to local needs and conditions. Market expansion requires careful consideration of regulatory compliance, cultural nuances, and geopolitical risks. MGAs that successfully navigate these challenges will tap into new revenue streams and diversify their portfolios.

Insurtech partnership: Strategic partnership between MGAs and Insurtech companies will become more prevalent. Insurtech brings innovative solutions, such as digital platforms, blockchain, and IoT, which can transform aspects of the insurance value chain. MGAs will benefit from product innovation, improved customer experiences, and increased operational efficiency.

Direct-to-consumer (DTC) distribution models: The rise of DTC distribution in MGAs is driven by digital advancements and changing customer preferences. DTC models allow MGAs to bypass traditional intermediaries, such as brokers and agents, and sell products directly to customers online, leading to lower distribution costs and faster policy issuances. As more consumers seek convenient, digital first solutions, MGAs with a DTC model can reach a broader audience and gather valuable data on their behaviors.

Regulatory evolution: Global regulators are tightening rules on data privacy, solvency, and governance. This includes the NYDFS Cybersecurity Regulation and California Consumer Privacy Act in the US, as well as GDPR and Solvency II Directive in the EU. MGAs will need to invest in compliance and risk management capabilities to quickly adapt to regulatory changes and avoid penalties. While this increases operational costs, successfully navigating the evolving regulatory landscape will build trust with clients and partners and serve as a market differentiator.

Continued M&A and consolidation: PE firms will continue to invest in MGAs due to their growth potential and profitability. This influx of capital will fuel M&A and further consolidation. Well-capitalized and mature MGAs are emerging, seeking to cover a wider range of products and continuously expand their market reach through series of acquisitions and partnerships. Smaller MGAs will feel pressure to differentiate, otherwise they risk acquisition or marginalization.

6 https://www.resourcepro.com/news/study-80-of-insurtech-mgas-are-developing-their-own-products/?utm_source=chatgpt.com

Conclusion

MGAs that continue to adapt to market trends will remain well-positioned to capitalize on opportunities for sustainable growth. MGAs should embrace their core principles and remain agile in their approach to navigating market headwinds and tailwinds.

About A&M

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- **Organic growth strategy:** PA&M develops tailored strategies to drive sustainable growth by identifying new market opportunities and optimizing existing operations.
- **Business and operating models:** A&M designs and implements business and operating models to enhance performance and agility.
- **Partnership activation:** A&M identifies and facilitates partnerships to leverage synergies, access new markets, and enhance their competitive positioning.
- **Commercial diligence:** A&M conducts thorough diligence to assess market conditions, competitive dynamics, and growth potential that inform decision-making.
- **M&A services:** A&M provides services across the transaction lifecycle, from target identification and due diligence to integration and value realization.

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