



FIVE INGREDIENTS FOR MGA SUCCESS

Like a sauce that activates all the other ingredients, the right blend of technologies can elevate mundane fare to Cordon Bleu status

By Carol Barton

Changes in consumer expectations and shifts within the insurance value chain present opportunities for innovative participants—newcomers and those willing to think like newcomers—to develop and serve up a menu of offerings that satisfy market appetites. Such creations require thoughtful planning and execution, not unlike what’s required by a renowned restaurateur looking to start a new venture.

To see what goes into delivering delicacies in the managing general agency arena, I checked in with a few of the industry’s “top chefs.” They generously shared their strategic menus, prepared with the palate of an MGA entrepreneur in mind. These culinary advisors were Cory Crosland, CEO of Croscon; Doug Gaudet, CEO of Stratus Risk Underwriters; and Gregg Barrett, president of WaterStreet Company.

I found agreement among the trio around five essential ingredients:

- Capitalization and strong partnerships
- Talent
- Customer experience
- Agility
- Technology, the secret sauce.

Where things got interesting was in the distinctive ways each of them approached the prep work, the proportions, and the presentation.

Conditions have changed as dramatically in the world of P&C insurance as they have in fine dining, or many other businesses, for that matter. For example, whether we view them as more demanding, or just as offering us more opportunities to serve them, policyholders are no longer passive. They want high-quality online and mobile experiences—and they want them now.

No matter what products they consume, they expect quick and exceptional service. The challenge for insurance providers is to develop menus that differentiate and sustain their businesses in the years to come.

With that said, let’s see how our ingredients for success can help position a provider as the policyholder’s choice.

Capitalization and strong partnerships

These days, new sources of capital can support new reinsurers seeking relationships with promising MGAs. Entrepreneurial capital can link a reinsurer, an A.M. Best-rated fronting carrier, and an MGA into a vertically integrated team that offers specialized products to targeted markets. According to Gaudet, “An important aspect of the MGA’s financial position is to ensure that the capital position of the fronting carrier matches the customers you are trying to attract.

“For instance,” he says, “with manufactured homes, a really large balance sheet isn’t critical. On the other hand, with our airport property program, we can place up to \$20-million limits on each customer—and very few small companies can put out that type of capacity. The fronting carrier must also have strong partnerships with the reinsurers who assume the majority of the underwriting risk.”

The most capital-intensive part of the MGA’s balance sheet, Gaudet says, is acquiring top-notch talent and the right technology partner. “When we wrote our business plan, two of the expenses we planned for were, one, expenses of acquiring the right talent for our niche markets (including the up-front costs) and two, the expenses involved in getting the kind of technology partner necessary for today and the future.”

Talent

To succeed, firms must secure specialized expertise in the markets they will serve. A product manager or professional underwriter who’s strong in distribution and product knowledge can team up with a fronting carrier partner who is resourceful in regulatory, financial, and administrative matters, and a reinsurance partner versed in pricing risk, evaluating model output, and deploying capacity.

According to Gaudet, “We looked for talent that understood the customer’s needs and the industry as a whole, and that brought expertise in the niche markets we want to serve, to ensure that we implement the right products profitably. Now, as an MGA, we can be more nimble and move these products to market more quickly and efficiently.”

Barrett believes that finding and acquiring the right people to launch and grow a business is critically important. “MGAs should look among carriers, brokers, or wholesalers, for professionals who can leverage the experience and expertise they’ve gained as business owners, and who want to earn more for their efforts,” he says, noting that MGAs may be better positioned to attract these individuals than traditional carriers.

Talent may appear in unexpected places. According to Crosland, “MGAs can either recruit from insurance and financial services companies, or they can look at successful startups and tech companies to bring innovation and fresh perspectives to their programs. With proper guardrails, we’ve seen the latter incredibly successful.”

Customer experience

“Meet consumers where they shop” has long been the credo for serious investors in the P&C industry. It’s true that user-friendliness is a potent, loyalty-building differentiator, but where

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Chief Executive Officer
Croscon

does a new MGA begin?

It's crucial, Crosland says, to always put the consumer at the forefront, and to have the technology to support that customer's varying needs. "To be successful, you must humanize the customer experience, even if it is being consumed electronically. You should make every contact point simple and easy and almost fun. If an MGA is focused directly on agents and brokers, it should treat them as customers as well, giving them first-class technology.

"We implemented a program on our direct-to-consumer platform called MusicPro Insurance. While we left the full policy system, the back end, and ancillary programs in place, we re-did the front end. This resulted in a better experience, not only for the end consumer, but also for the customer service personnel working with that consumer."

Gaudet adds, "MGAs have to be able to respond to the customer better than any of the standard carriers do. If you can't respond with technology to get to the customer, or with efficient service, or with the products and all the other things we do better than traditional carriers, there's no reason for MGAs to exist."

Agility

Niches and opportunities flourish in the U.S. because each state's demographics and history have shaped political, regulatory, legal, business and socioeconomic diversity. Experts agreed that well-positioned, nimble MGAs and smaller carriers can compete by harnessing insider knowledge of a state, a product, or a target customer.

To succeed, MGAs must have the talent to understand trends, the capital to enter new markets, and the technology to deliver products and services quickly. All that boils down to agility. Gaudet says, "Customers have very high expectations and want instant gratification. Having a technology partner with the wherewithal to move quickly and efficiently will enhance our ability to compete in today's marketplace."

"When customers expect efficient, fast, flexible self-service channels, MGAs must focus on the agility of their partners and build extremely effective communications channels," Barrett notes.

"The best example of agility," Gaudet says, "is when, as customer needs change over time, MGAs remain better positioned to listen to and respond to those changes, and to do so more quickly."

Crosland agrees. "In our industry, a

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Stratus Risk Underwriters*

company needs to evaluate its systems constantly, because the only thing that's constant is change. If you're not tweaking and updating, you will not be able to compete. The bottom line is that MGAs must be more agile and more adaptive to changes in the market."

Technology

Like a sauce that activates all the other ingredients, the right blend of technologies can elevate mundane fare to cordon bleu status. It's no wonder that, more than ever, technology is central to a carrier's selection

of an MGA. Strong technology, in all its forms, can enhance an MGA's brand.

As Gaudet says, "The linchpin in the modern era is a relationship with a technology partner who commands sophisticated systems for dealing with customer experience and customer expectations. Conversely, MGAs entering the business are at risk if they don't keep technology at the center of their business plans."

Barrett concurs. "To compete with efficient carriers, MGAs must automate processes as much as possible, to keep expenses down. The right partner will have process automation built into its systems—for the consumer, the agent, and the back office."

"The greatest opportunity for an MGA is technology," Crosland says. "When carriers go through the MGA evaluation process, they must figure out how advanced each MGA is and if it will be able to offer the types of coverage that they [the carriers] handle. They must be sure that they can work seamlessly with you.

"Two of the major differentiators of MGAs who are competing effectively are, first, that they have innovative technology that brings real differentiation to the program and, second, that their technology integrates with carrier systems and vice versa."

So the experts agree. Through changing times and changing tastes, satisfying customers includes five basic ingredients:

- Partnerships built on a shared vision and a willingness to invest in a long-term strategy
- The right niche, supported by the right talent
- Exceptional customer experience that trims your process of all inefficiency
- The agility to adapt to the transformations that will continue to dominate our industry
- And technology, the secret sauce that attracts customers and brings them back for more.

To stay relevant, you'll develop new recipes of your own. But at least you won't have to start from scratch.

The author

Carol Barton is vice president of marketing and business development for WaterStreet Company, a solutions provider for the property and casualty insurance sector. The firm provides end-to-end systems and services delivered by insurance and technical professionals.