

By Dave Willis

“**T**here is room for specialization in virtually every area of our business,” says Tony Campisi, president and CEO of Glatfelter Insurance Group. This statement provides the foundation for the role of MGAs, program managers, program administrators and managing general underwriters. “Where the general market isn’t as responsive, MGAs can differentiate themselves and bring significant value,” he says. Mike Schofield, president and CEO of MiniCo, adds: “There are many, many classes mainstream carriers don’t have an appetite for.” To fill the need, MGAs bring insurance and customer-industry knowledge and expertise. “Construction, for example, can present a landmine of exposures, if not approached properly,” says Tim Cappellett, sales & marketing vice president at Oryx Insurance Brokerage. “We have focused on this class of business for more than 15 years and have tailor-made services specific to underwriting, loss control and claims management.”

Not a carrier, but...

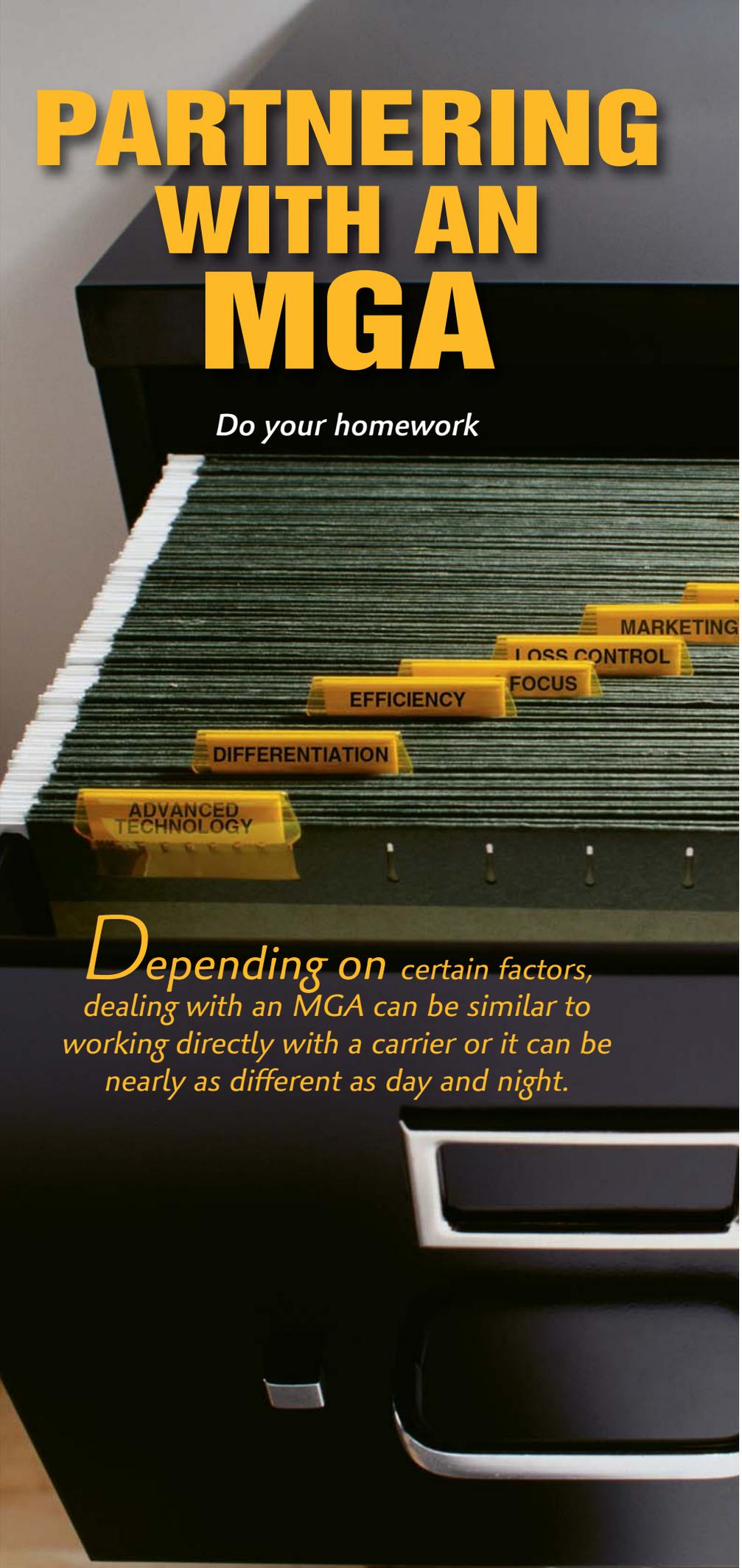
Depending on certain factors, dealing with an MGA can be similar to working directly with a carrier or it can be nearly as different as day and night. Schofield says working with an MGA is like working with a carrier branch office, but “with an added level of expertise and knowledge, specializing in certain classes of business.”

“If an MGA is a program administrator for a carrier, that means they have the ability to underwrite, rate, quote, bind, issue, and service policies on behalf of the carrier, up to their written authority,” notes Victoria Webb, CPCU, ARe, ARM, underwriting manager for Markel Programs. “In this case, the MGA is the carrier. It’s very different if the MGA has a binding authority.” In that situation, underwriting rests with the carrier. “The carrier may review the risk after binding, determine it is not within their appetite and cancel the policy,” she adds.

That said, Campisi explains, “Most MGAs have authority to underwrite—to provide retailers the rate-quote-issue function—without a lot of referrals. Some provide risk control services and some even have claims authority.”

PARTNERING WITH AN MGA

Do your homework



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“That’s not blind faith,” Campisi adds. “You get a one-stop shop that is, in my view, significantly closer to the ultimate buyer. MGAs are one step removed from retail agents and understand their challenges.”

Adds Cappelletti, “An MGA that has ‘skin in the game’ or shares risk with their carrier partner typically takes on most, if not all, traditional insurance carrier roles. A good MGA covers all facets of the process, from

underwriting to claims administration, loss control and assistance with audits. The process should be seamless and the agent should not see or feel a difference.”

Where authority is limited, challenges arise. “An MGA may not have broad authority,” notes Webb, “which requires them to refer risks to the carrier. Whenever a referral takes place, it adds time to the process. Campisi concurs. “If an MGA has to

Agency checklist for assessing MGAs

- What knowledge does the MGA bring to the table?
- What is the extent of its specialization?
- How long has it been writing the class/segment?
- What relationships does it have within the segment?
- How stable is the MGA?
- What does the MGA provide that is more valuable than markets that you could otherwise access?
- What makes it different?
- What is the quality of the product and services it offers?
- Are other agents who’ve done business with the MGA satisfied?
- What is this MGA’s general marketplace reputation?
- What authority does this MGA have?
- Who is the carrier?
- What is the carrier’s financial strength rating?
- Is it admitted or E&S?
- If it is E&S, what is on the form?
- What is the carrier’s claim-handling reputation? This is who will be settling your clients’ claims for who knows how long.
- How long has the MGA been writing with the carrier?
- How many carriers has the program been with?
- If the program has changed carriers, why?
- Does an agency need to be appointed before submitting business?
- Does the MGA have any requirements—minimum premiums or agency agreements—that might be difficult for the retailer/broker to meet? Will the MGA accept just one piece of business?
- Does the agent/broker have a book of business in a specific class that would warrant taking it to an MGA?
- How is business submitted? Is it through a portal, fax, e-mail or some other method?
- What technology exists to drive ease of doing business?
- Is there a Web site where I can see what information is needed for a particular class of business?
- How is billing handled? Is it agency billed? Direct billed? What premium finance options exist?
- Does the MGA provide lead lists that help retailers market?
- Do MGAs go out and try to build a book of business in a particular class of business?
- What is the MGA’s appetite in certain geographical regions?
- What other “services after the sale” does the MGA offer?
- How are claims, loss control, audits, etc. handled?

UNDERWRITING
AUTHORITY

RESPONSIVENESS

SPECIALIZATION

RISK
MANAGEMENT

refer half of the submissions to a carrier for approval, that's much less efficient and responsive than one with virtually unlimited authority, where maybe one of 100 would be referred."

Knowledge, product and responsiveness

A key benefit of dealing with an MGA is expertise. "The agent can access a heightened level of expertise through MGA programs," notes Schofield. "The underwriting team and, in cases such as ours, internal claims adjusters, know the program and its specialty coverages."

Expertise and focus add significant value. "Many times, products the retailer can offer through an MGA are actually enhanced, because of these specialty coverages," he adds.

Campisi agrees. "Specialization makes sure client exposures are covered," he explains. "This leads to superior protection, better risk management and more responsive services. This is a tremendous help to retail agents, who are often unable to specialize in a particular class of business. They can rely on the knowledge and expertise of the MGA."

Webb says, "Unlike wholesalers, most MGAs focus on a certain class of business and, in most cases, are considered very knowledgeable in that class of business. If a retailer has a book of business that is specialized or has preponderance in one class, it is beneficial for them to search out a direct relationship with an MGA."

"Since they offer specialized coverage for a specific class," Webb says, "MGAs may have special enhancements and other specialized services available to the retailer and the insured. Customer service may also be higher with an MGA than a carrier."

According to Cappellett, MGAs open doors. "For most specialty programs, MGAs are the main conduit to the insurance company," he explains. "They offer access to programs that typically aren't available to small and medium-sized agencies. Working with an MGA gives agents an advantage when competing against larger regional brokers."

They also understand day-to-day agency issues. "A majority of MGAs are small businesses, similar to the brokers and agents they deal with every day," Cappellett adds. "Our size allows us to be nimble and act quickly and efficiently—something that large companies with multiple layers of management sometimes struggle with."

"We can respond immediately, whether it's an e-mail, turn-around time on a quote, or a phone call. Simple,

daily tasks are important for us and never overlooked," Cappellett notes.

Adds Schofield, "Pretty much any agent can talk to anyone at the MGA—from the receptionist to the CEO—anytime he or she wants."

Improving technology

MGAs are finding ways to use automation to simplify communication. "Many MGAs have highly effective technology that makes obtaining quotes and servicing clients much easier for the retailer," says Webb.

"There is an enormous amount of information flowing into our business, but it's generally not captured in the most efficient way," says Campisi. "It is touched multiple times—by agents, intermediaries and carriers—just to complete a single transaction. This constant rekeying is sometimes the bane of our existence."

"For our MVPs, our most valuable producers, we offer an agent's portal for access to virtually anything they need regarding their customers," he says. "Pre-populated renewal questionnaires show existing client coverages by line of business."

"It's a tool agents use to gather and advise us of pre-renewal changes," he adds. "It prompts them to ask questions. It sounds fundamental, but these are things that E&O claims are made of. They submit it back to us electronically."

In addition, Campisi notes, "We download customer data directly to their agency management system, so they don't have to re-key it. Retail agents are excited about this; not re-keying information is like the holy grail of our business."

Advice for retailers

Experts encourage retailers interested in partnering with an MGA to do their homework. Webb says, "Start with three questions: How long has the MGA been writing the class? Who is the carrier? What is the carrier's rating?"

Look at the relationship with the carrier, too. "MGAs understand the complexities and operating units of the carrier partners they represent," says Cappellett. "This lets us navigate through the company and ensure submissions are sent to the proper underwriting department."

Adds Campisi, "Make sure it's a proven, stable MGA that has stood the test of time. Make sure they take a long-term view to relationships and the marketplace. Some MGAs are just reacting to the underwriting cycle. When you place your client, you want

to know that, when it is time to deliver the promise, they will be there."

Schofield recommends checking the MGA Web sites. "You want to see an organization that's up to date, up to speed, 21st century." In addition, he says, Google the MGA—and its segment involvement. "See what types of publications they're in, articles they've written, industry events they take part in," he suggests. "If an MGA is strong in an industry, something will be published or staff will be speaking at target industry events."

In addition, he says, pick up the phone. "Ask other agents about the MGA, and call the MGA before submitting business. Talk to the underwriter about the risk and see if it qualifies. It's important to create a relationship from the beginning."

Consider the extras. "Technology is becoming more and more important in terms of submitting business, getting quotes and communicating with the MGA," Schofield notes. "Risk management support is, as well. Learn how the MGA promotes loss control awareness." Look for resources and educational materials the MGA provides clients to help improve safety and minimize losses.

"Some MGAs are heavily focused on marketing, while others are focused on underwriting," Schofield explains. Some address, as Schofield calls it, "the whole nine yards," marketing, underwriting and service after the sale.

"Do your homework," reiterates Webb. "Start internally to determine what your book is comprised of and what your needs are. This will help you determine the distribution system that will best work for your business—be it direct to the carrier, through an MGA, or through a wholesaler."

Cappellett also encourages looking for that fit. "Find someone with industry knowledge, specialization within a niche and access to programs that align with yours," he says. Then demonstrate the fit to the MGA. "Agents should take time to prepare a good overview of what the customer does. Dig deep and provide a detailed background of service the customer provides and why you feel this would be a good opportunity for the MGA."

"There has to be a level of trust," Cappellett adds. "Trust is earned over a period of time, through both good times and bad. Writing business is easy, retaining it is the key."

Campisi concurs. "Our business is based on trust, service and relationships. Trust is the true long-term competitive advantage. Everything else is noise around the edges." n