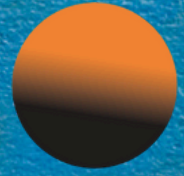


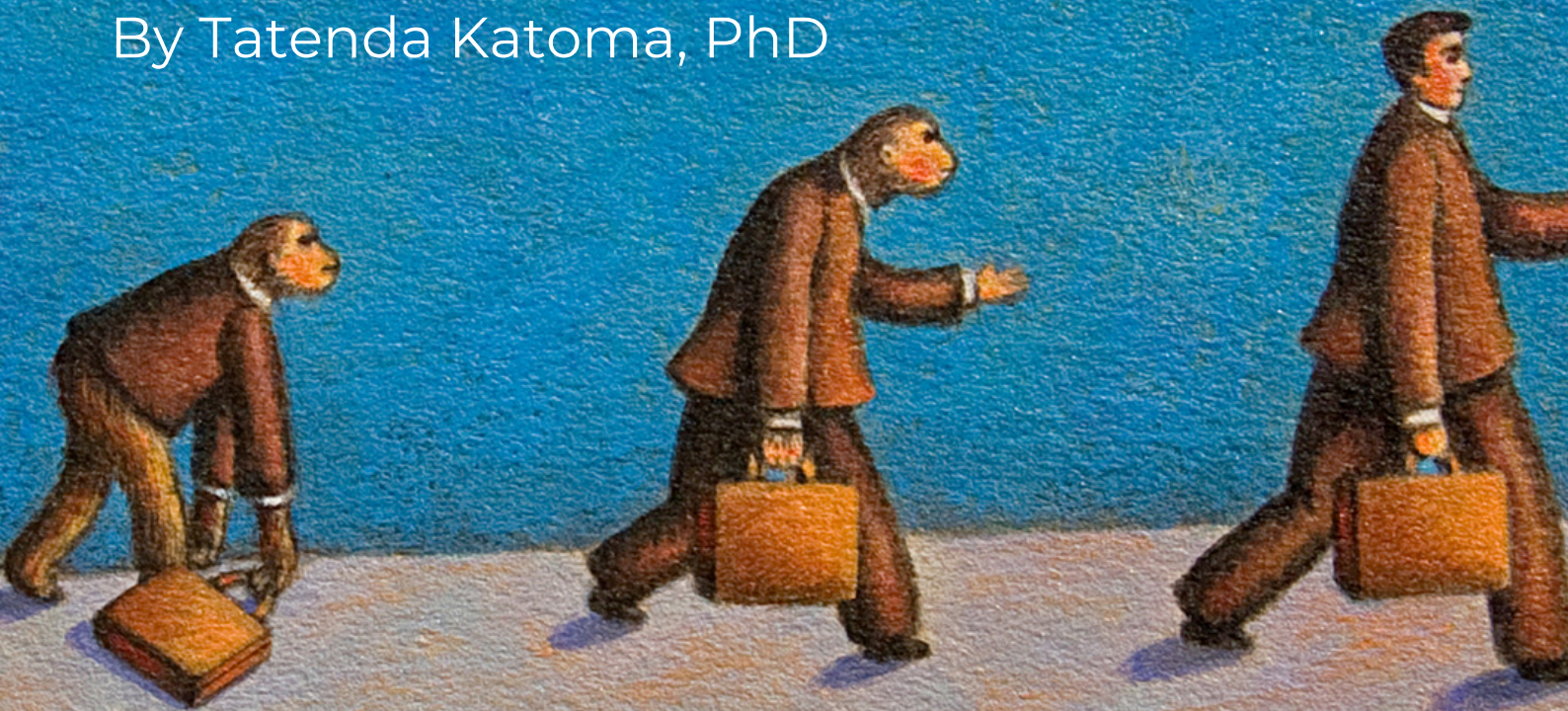
**Dawn**



# The Evolution of the Managing General Agency (MGA):

Driving Transformation in the Reinsurance Landscape

By Tatenda Katoma, PhD



*Together we rise with the dawn.*

# The Evolution of the Managing General Agency (MGA): Driving Transformation in the Reinsurance Landscape

*By Tatenda Katoma, PhD*

The insurance and reinsurance sectors have witnessed a structural shift over the last decade, characterized by the rise of the **Managing General Agency (MGA)**. Once considered niche intermediaries, MGAs have evolved into sophisticated hubs of underwriting excellence and technological innovation. In the evolving world of insurance and reinsurance, distribution models are continuously being reshaped by market dynamics, technological innovation, and regulatory change. One such model gaining significant prominence is the Managing General Agency (MGA). Originally established as specialized distribution partners in primary insurance markets, MGAs are increasingly influential in reinsurance broking, capacity sourcing, and risk transfer

## Understanding the MGA: Definition and Core Functions

A Managing General Agency is a specialized insurance intermediary that possesses **delegated authority** from an insurance or reinsurance carrier. Unlike traditional brokers, which act as intermediaries between clients and carriers, MGAs assume functional responsibilities normally reserved for insurers — including risk selection, policy issuance, claims handling, and in some cases, premium collection. This delegation allows carriers to outsource key operations while retaining financial responsibility for risks.

The scope of an MGA's authority is defined in a legal contract known as a **Binding Authority Agreement**. Key functions performed by MGAs include:

- Underwriting and Pricing:
- Binding Coverage:
- Product Development:
- Claims Management:
- Distribution:
- Specialization:
- Operational Capability:
- Technology Utilization: Modern MGAs increasingly leverage digital platforms, data analytics, and automated decisioning tools to drive efficiency and scalability.
- Premium Collections and Accounting

- Regulatory Compliance and Reporting
- This depth of delegation differentiates MGAs from standard brokers, positioning them as quasi-insurers in practice, though not assuming risk on their own balance sheets. While brokers facilitate access between risk buyers and insurers, MGAs perform insurer-like functions without carrying risk themselves.

Feature	Traditional Broker	Managing General Agency (MGA)
Primary Client	The Policyholder	The Insurance Carrier
Underwriting Authority	None	High (Delegated Authority)
Revenue Source	Brokerage Commission	Overriding Commission & Profit Sharing
Policy Issuance	No	Yes
Product Control <sup>10</sup>	Sells carrier-designed products	Designs and prices own products

## Why MGAs are Gaining Popularity in Reinsurance

The "MGA boom" is not merely a trend in primary insurance; it has become a cornerstone of modern **reinsurance strategy**. Several factors explain why reinsurers are increasingly bypassing traditional channels to partner with or even acquire MGAs.

### 1. Access to Niche and Specialty Risks

Reinsurers often seek diversification but lack the "boots on the ground" to understand hyper-specific risks like **cyber liability**, **renewable energy**, or **parametric climate solutions**. MGAs specialize in these "hard-to-place" risks. By partnering with an MGA, a reinsurer gains instant access to a curated portfolio of niche business without having to build an internal underwriting team for that specific sector.

### 2. Agility and Speed to Market

Traditional reinsurance carriers are often hampered by legacy IT systems and bureaucratic approval layers. MGAs, often backed by private equity and built on modern tech stacks, are "born digital." They can launch a new product or adjust pricing models in weeks rather than years.<sup>18</sup> In a fast-moving market—such as the

2025 shift toward AI-driven fraud protection—this agility is a massive competitive advantage.

### 3. Superior Underwriting Performance

Recent data indicates that MGAs are consistently outperforming the broader market in terms of **loss ratios**.<sup>19</sup> Because MGAs often have "skin in the game" through profit-sharing commissions, their incentives are closely aligned with the reinsurer's goal of profitability rather than just volume. By 2026, many capacity providers now view MGAs as a core part of their "alpha-generating" strategy rather than just a distribution channel.

### 4. The Rise of "Fronting" and Capital Efficiency

The growth of the **fronting carrier** model has allowed reinsurers to deploy capital more efficiently via MGAs. In this model, a fronting insurer issues the policy (for a fee), while the MGA manages the risk, and a reinsurer provides the actual capital backing. This allows reinsurers to access primary insurance premiums globally without needing to be licensed in every individual jurisdiction.

### 5. Market Reach and Distribution Scale

MGAs can aggregate risks across geographies and niches, increasing scale and diversifying exposures. This aggregation enhances reinsurance attractiveness by spreading volatility and improving portfolio characteristics.

### 6. Regulatory and Cost Pressures

Carriers under pressure from regulatory capital requirements and operating costs have looked to MGAs as capacity multipliers — outsourcing underwriting and administration while allocating capital more efficiently across portfolios. Reinsurers similarly leverage MGA expertise rather than deploying internal underwriting capacity.

## Challenges and Considerations

Despite their promise, MGAs also introduce unique considerations in reinsurance arrangements:

- **Governance and Oversight:** Delegated authority must be effectively supervised to mitigate mispricing or control failures.
- **Data Quality:** Reinsurance placements hinge on robust data; inferior data quality at MGA partners can deteriorate pricing accuracy.
- **Alignment of Interests:** Contractual structures must ensure alignment between reinsurer, carrier, and MGA incentives.

These factors require clear contractual frameworks, transparency, and often technology integration.

## Conclusion

Managing General Agencies have evolved from specialized distribution intermediaries to strategic partners in both insurance and reinsurance ecosystems. Their ability to underwrite, administer, and innovate in specialized risk markets makes them attractive to carriers and reinsurers grappling with competitive pressures, capital constraints, and emerging exposures.

In the reinsurance context, MGAs enable better access to niche portfolios, faster decision cycles, and improved alignment between risk originators and capital providers. However, realizing these benefits depends on robust governance frameworks, quality data infrastructure, and strong alignment among all parties involved.

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