

# Managing General Agencies – an alternative route to market

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# Introduction

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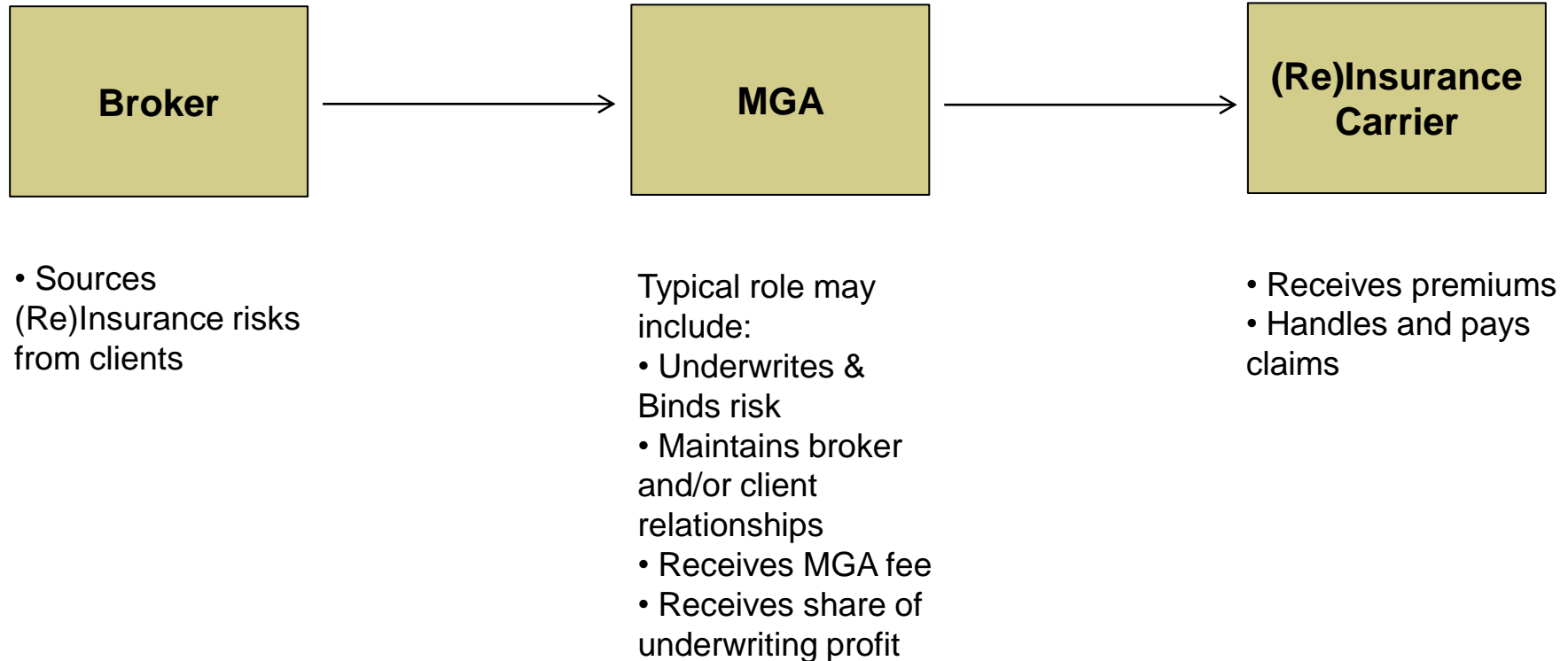
What is a Managing General Agency (“MGA”)?

- An entity which has permission to underwrite on behalf of a (re)insurance provider
- Perform usual underwriting process
- Are not a risk carrier in their own right – premium income and associated liabilities reside with the (re)insurance provider
- MGA’s are paid via a fee (typically a percentage of business underwritten) and a profit commission based on underwriting profits
- Alignments of carrier and MGA interests is vital

# Introduction

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## Illustrative Structure of an MGA



# Why set up an MGA?

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From a (re)insurance carriers perspective:

- Successful, desirable MGA's have some or all of the following characteristics:
  - Niche/Industry leading underwriting expertise
  - Access to strong distribution channels which carriers cannot access
  - New ideas/products
- Ability to enter new markets/products/territories without the upfront infrastructure and research and development costs
- Have the ability to cancel underperforming MGA facilities – not so easy with in-house underwriting teams

# Why set up an MGA?

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From the MGA's perspective:

- Lower regulatory capital requirements – typically licensed as brokers and working capital (cashflow) is the key consideration
- Quicker route to market than (re)insurance entity start-up
- Ability for talented underwriters to truly share in the upside of a business, via profit share mechanisms and equity shareholdings
- MGA's can be sold for very competitive multiples of EBITDA

# Key Challenges for an MGA

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- Sourcing of long term capacity providers
  - Provide capacity with something they want but cannot easily achieve
  - Aon Benfield have a wealth of expertise in this area
- Develop business plan and assess and raise working capital requirements using credible data
  - Aon Benfield have vast experience in assisting in both areas and can source industry data to support submissions to capital and capacity providers
- Assess and develop operational infrastructure (back office) requirements and cost
  - Aon Benfield can benchmark and help find suitable partners

# Case Study 1 – Cobalt Underwriting Agency

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## Background

- New Shariah compliant Managing General Agency
- Designed to provide Shariah compliant capacity for large commercial risks
- Islamic institution owned UAE and London domiciled risks initial focus
- Launch date – May 2013
- Backed by XL and AIG



# Case Study 1 – Cobalt Underwriting Agency

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## Working with Aon Benfield

- Proof of concept – Feasibility study based upon market data and expertise
- Critique of business plan
- Aon Benfield appointed binder broker
  - Sourced minimum A rated capacity providers
  - Will be responsible for ReTakaful provision to capacity providers
- Aon Benfield assisted in capital raising process
- Aon Benfield assisted in discussion with back office service provider

# Case Study 1 – Cobalt Underwriting Agency

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## Unique selling points

- Ability to act as a turnkey solution for conventional capacity and underwriting expertise to assist the Shariah compliant market
- Provides access to large amounts of capacity on a Shariah compliant basis
- Step towards multi-national (re)insurers providing significant Shariah compliant capacity to the market place – move towards stopping the “leakage” from the (re)takaful market place

# Case Study 2 – DUAL Asset Underwriting

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## Background

- New worldwide title insurance MGA launched in 2013
- Designed for legal indemnities insurance products
- Exceptionally niche class of business, with limited expertise in the market
- Founders provide underwriting expertise and access to business, direct and via broker network
- Backed by Catlin Insurance Company

# Case Study 2 – DUAL Asset Underwriting

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## Working with Aon Benfield

- Aon Benfield worked with the founders to develop the business plan using industry data and experience
- Aon Benfield assisted in raising capital via deal with DUAL Asset Underwriting
- Aon Benfield sourced capacity via Catlin
  - Company paper for EU risks
  - Lloyd's syndicate paper for non-EU risks

# Summary of ReSolutions MGA offering

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## Pre Start-Up

- Company/individuals approach with an “idea”
- Feasibility analysis performed by broker
  - Utilization of industry experience
  - Gap in the market? Similar ideas in the past?
  - Market data
- Business plan
  - Construction (using industry data and experience)
  - Critique of already constructed plans – pre-empt investor/market questions

# Summary of ReSolutions MGA offering

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## Pre Start-Up (continued)

- Capital requirements
  - Based upon business plan
  - Regulatory
  
- Capital raising (Aon Benfield Securities)
  - Institutional (joint venture?)
  - Private individual
  
- Regulatory license application
  - Assistance with the process – forms, discussions, questions, etc

# Summary of ReSolutions MGA offering

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## Post Start-Up – Developed MGA

- New territories
  - Market data
  - Industry experience
  - Capital modelling
- New classes of business (as above)
- Acquisitions
  - Identification of potential target entities
  - M&A activity, including capital raising if applicable

# Resolutions

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## ▪Alternative Risk Transfer Mechanisms including:

- Whole Accounts
- ReShares
- Aggregates
- Cross Selling
- Proportional Partnerships

## •Lloyds Trade Capital Agent

## •Retrospective/Run off Solutions

## •Specialty Businesses including:

- Financial Institutions
- RVI
- Operational Risk
- Nuclear
- MIG
- Contingency

## •Start up businesses including:

- MGA's
- Consortia
- New lines of business
- Lloyds
- Consultancy

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Start of life

Strategic change

End of life →



# Contact Details

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