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RESEARCH REPORT

Insurtech MGAs

AT THE FOREFRONT OF INNOVATION

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ReSource Pro Insights offers a broad range of research and observations on the insurance industry. We provide substantial studies, analysis and perspectives on business and technology strategies and plans across the P&C ecosystem, covering retail agencies and brokers, MGA/wholesalers, carriers, and tech vendors. Our coverage includes distribution, underwriting, policy servicing, billing/payments, and claims business areas, as well as cross-enterprise areas such as strategic initiatives, digital transformation, innovation, customer experience, and talent.

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About this research report

This report is the result of a collaborative research project between ReSource Pro and InsurTech NY to examine the insurtech MGA landscape based on our observations of the market and multiple interviews with MGA executives. For the purposes of this report, we define "insurtech" as entities established in 2010 or later.

All diagrams in this report are based on the "ReSource Pro and InsurTech NY: MGA Market Research" survey (n=50) unless noted otherwise.

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The state of insurtech MGAs

The insurtech movement continues to evolve, with new entrants in the digital agency, MGA, carrier, tech, and services spaces. Among the thousands of insurtech entrants in the North American market over the last decade-plus, perhaps no category has been as impactful and innovative as the startup MGA space. There are certainly stellar examples of winning startups in each of the other segments, but the current lineup of 200 or so insurtech MGAs in the market is playing a pivotal role in reshaping the P&C industry. These market makers span across almost every line of business and are not limited to just historically underserved industries – they are actively exploring growth areas while also finding new ways to reach markets for traditional products.

At the same time, the MGA space may be the most diverse and least understood sector of the ecosystem. Startup MGAs (as well as some incumbents) have been pioneers in exploring ways to address emerging exposures or risks that have previously gone without insurance coverage. In addition, MGAs have been at the forefront of new partnership and distribution approaches, including on-demand, embedded, and parametric coverages. They have been a critical part of the shifting distribution landscape as carriers seek new ways to reach specific markets, and independent agents, brokers, and wholesalers seek assistance in reaching underwriting partners.

In addition, the MGA sector has changed significantly in terms of technology. In decades past, their central proposition was their deep expertise in specific industry verticals and risks, along with strong relationships downstream and upstream. That is still core to the success of an MGA, but now leveraging advanced technology platforms, including analytics, is a new and mandatory part of the equation.

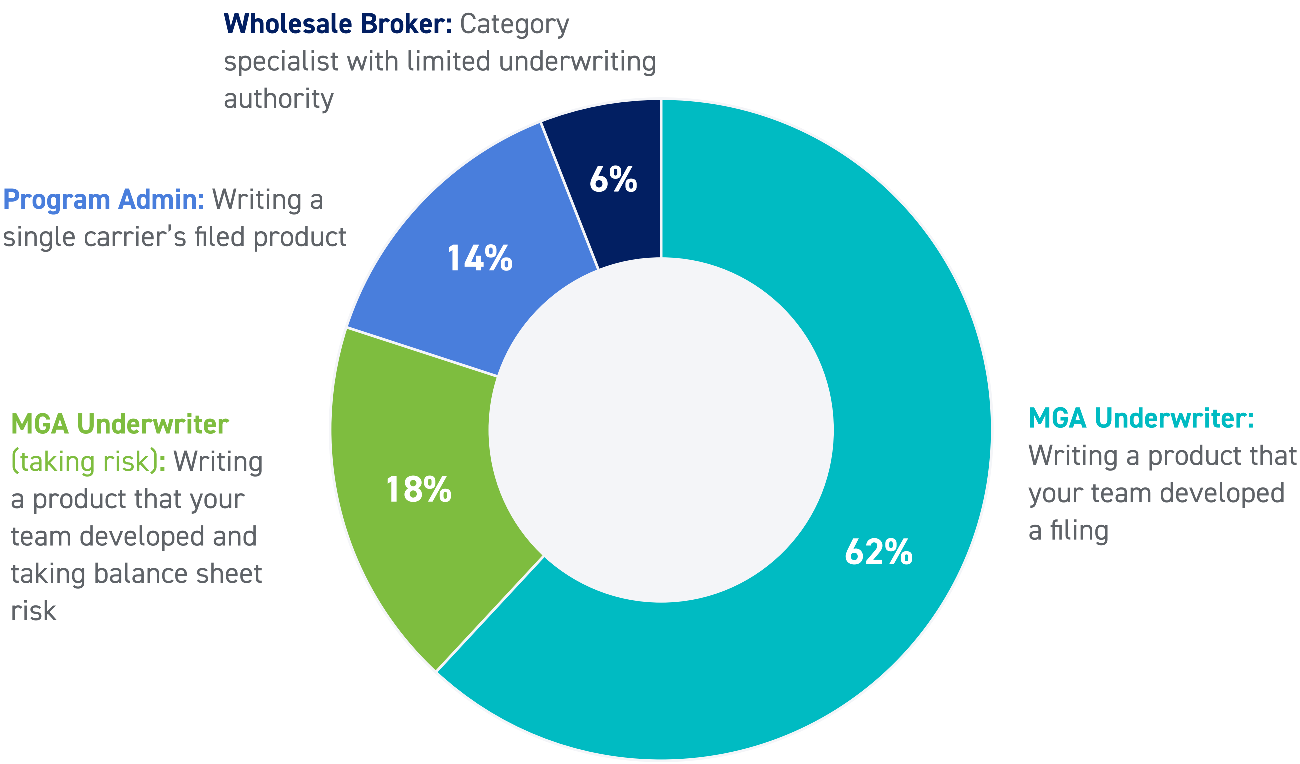
“MGAs today use technology to enable business models that were impossible in the last decade. For example, Safely allows homeowners and property managers to protect vacation rental properties with policies as short as daily and premiums as low as five dollars across embedded directly into a rental transaction,” said Andrew Bate, CEO of Safely.

The research that ReSource Pro and InsurTech NY have undertaken is meant to provide new insights into this part of the insurance ecosystem by exploring business models and approaches to capital, partnerships, product design, underwriting, and technology. MGAs have made significant contributions to the growth of the industry, especially in the E&S market. We expect insurtech MGAs to continue to innovate and grow over the next decade, including more new entrants of both affiliated and unaffiliated MGAs.

Business models

Over the past 15 years, new entrants to the MGA space have been leveraging a variety of business models to scale and differentiate themselves in an increasingly competitive market. Interestingly, 80% of startup MGAs have developed their own product, with nearly one-fifth of them taking on risk, as shown in Figure 1 below. This risk-taking capacity allows MGAs to have greater flexibility and control over the products they offer, often enabling them to serve niche markets with tailored insurance solutions. However, this also exposes the MGA to potential losses, which they must manage carefully through effective underwriting, risk assessment practices, and reinsurance arrangements. Of the MGAs taking on risk, the majority are non-affiliated and private equity/venture capital-funded and mainly focus on liability lines.

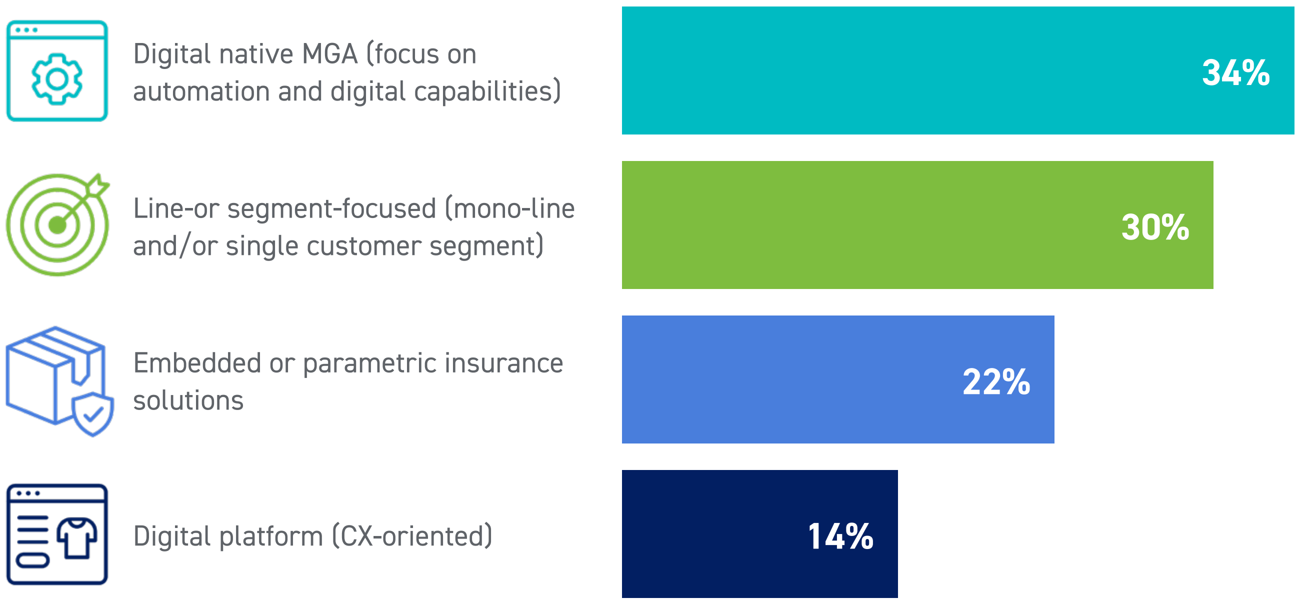
Figure 1. Insurtech MGA Business Models



Although all insurtech MGAs are digital natives by definition, about one-third cite that as their primary go-to-market approach (Figure 2), starting from scratch and building out their own tech stacks meant only for their operations and not to be leveraged by others. These companies often focus more on commoditized products where digital capabilities and automation enable them to be profitable in a world of thin margins. Another 30% of MGAs are creating programs focused on specific lines of business or segments, such as commercial property, pet, flood, and others. This model is a natural way for MGAs to gain market traction and success before expanding into other areas.

It is also especially interesting that 22% of the MGAs we surveyed say that leveraging embedded or parametric insurance concepts is their primary approach to the market. These also tend to start with a single line or narrow set of lines of business and majors on partnerships to reach their markets.

Figure 2. Primary Go-to-market Approach for Insurtech MGAs



Especially within the digital native MGA space, the variety of entities is impressive. It is hard to define a clear-cut definition of this group's go-to-market approach for this group; however, an interesting trend is emerging of MGAs that are enablers for other MGAs. This subset develops a broad tech platform and product expertise to accelerate startup for other insurtech MGAs, even as they are also licensed to do business as an MGA.

Product development

One of MGAs' defining characteristics is how they serve specialty markets. Usually, the establishment of an MGA is the culmination of years of experience within a line of business at a (re)insurance carrier or even years spent within another industry vertical. All of the MGAs interviewed for this research had unique and rich backstories of how their company was founded. Often, the insurance programs offered by insurtech MGAs are designed to solve a problem within a target market – this bespoke nature helps the application and quoting process by hyper-focusing only on necessary information.

Beyond their expertise in specialty markets, MGAs are also leaders in emerging insurance models, such as parametric and embedded insurance. These models are transforming how insurance coverage is structured and delivered. In parametric insurance, for example, payouts are triggered by a pre-defined and externally verifiable parameter (like a natural disaster reaching a specific intensity), allowing for faster claims processing and transparency. With one in five MGAs entering the market using parametric or embedded models, MGAs are particularly well-suited to address coverage gaps and miro-insurance, as well as the unique challenges of catastrophe risk, where rapid claims processing and clear coverage parameters are vital.

Affiliations

Carriers that are aiming to expand into new business lines will often establish an MGA business to reach the new market. Thirty-seven percent of insurtech MGAs indicated they have a carrier or reinsurer parent company, primarily across liability lines. Of these, more than half have a direct-to-consumer/business model.

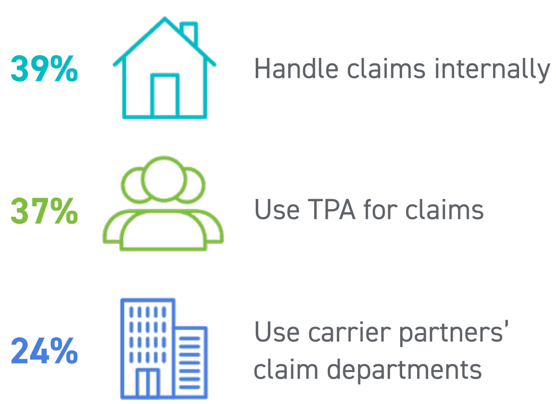
On the other hand, slightly less than two-thirds of insurtech MGAs are non-affiliated. This independence is critical to foster innovation and deliver new products to market with speed. Our research shows that these MGAs span a range of business lines, though there is a higher concentration in liability, commercial property, and inland marine segments.

Claims

Nearly 40% of insurtech MGAs (Figure 3) are managing claims internally, with specialized – and sometimes robust – teams dedicated to triaging, investigating, processing, and paying out claims. Slightly fewer leverage TPAs and about a quarter tap carriers' claims departments for support.

Over time, we expect more MGAs to bring claims management in-house, as it enhances their value proposition to all partners – carriers and agents. This is a trend that moves away from the traditional MGA model, which typically leaves claims responsibilities with carrier partners. However, the importance for MGAs is that they can streamline the claims process by applying their expert knowledge to handle complex claims more effectively, thus reducing response time for policyholders. This also minimizes administrative overhead for insurers, as MGAs serve as a one-stop shop for underwriting, distribution, and claims handling, particularly in specialized or underserved markets.

Figure 3. How Insurtech MGAs Manage Claims

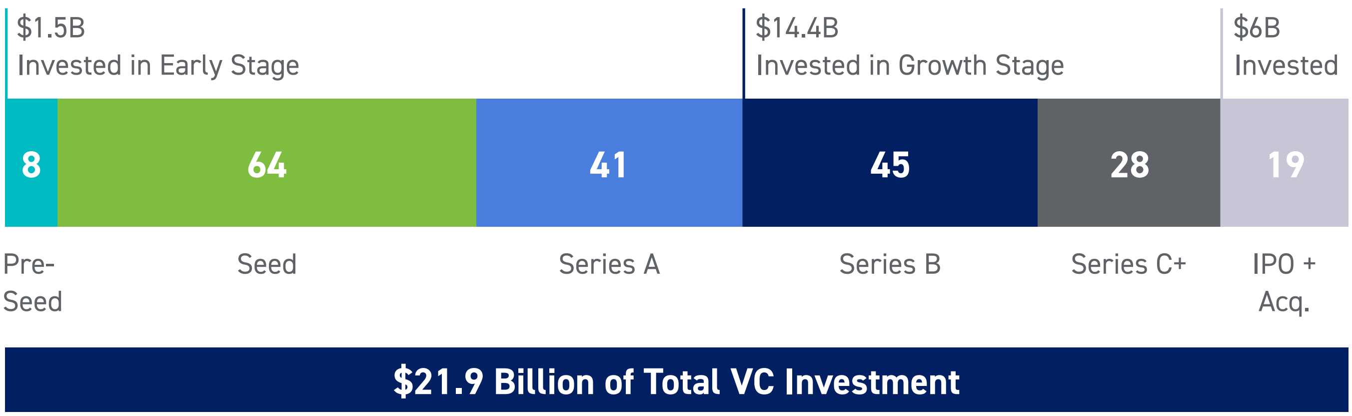


Capital

The MGA business model is typically considered capital-light compared with the cost of starting a carrier to launch a new product. MGAs can rent a balance sheet from an existing carrier or set of reinsurers to bring a product to market.

However, startup MGAs with aspirations for high growth and intensive use of technology for business model automation require meaningful upfront startup investments. The average first round or "Seed round" of capital raised by the MGAs participating in the survey was $3.5M. This is comparable to Pitchbook Data, which states that $3.8M is the average traditional round size for venture capital-backed startups. As the companies evolved and grew, they continued to attract capital. This data aligns with research conducted by InsurTech NY of more than 200 startup digital distributors (digital brokers, MGAs, and startup carriers) that shows they raised approximately $22B, or nearly one-third of the total capital invested in insurtech, as shown in Figure 4.

Figure 4. Total Capital Investment for Startup Digital Distributors



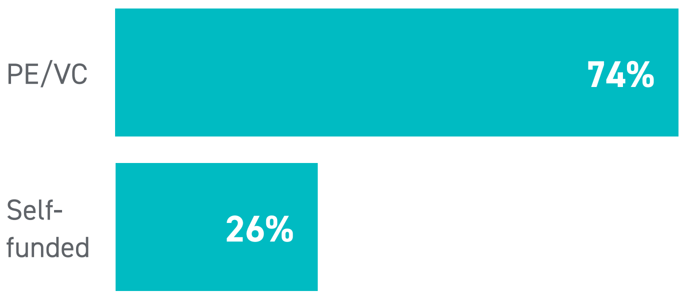
Source: InsurTech NY research, 2024

To better understand the impact of capital on startup MGAs, we assessed two primary variables: funding type and capital raised to date.

Funding type

Based on our data, nearly three out of four MGAs required external capital to get started (Figure 5). This capital was typically raised from angel investors, venture capitalists, or private equity investors. The use of external capital primarily impacted the scale of the MGAs. Self-funded MGAs were typically under $3M in GWP, with 75% of the self-funded collected responses being under $3M in gross written premium (GWP). This compares with only 32% of MGAs with external capital that have less than $3M in GWP.

Figure 5. Funding for Insurtech MGAs



Beyond scale, external capital did not make a meaningful difference in the go-to-market strategy or line of business that the MGA chose. The primary driver of choice to seek external capital was based on the founders' expectation of growth and ability to take a lower (or no salary) for the duration of the initial startup phase.

Over time, we expect the ratio of self-funded to externally funded MGAs to remain the same or improve slightly as the cost of the technology to launch and support business decreases with the creation of out-of-the-box solutions for all the operations of MGAs.

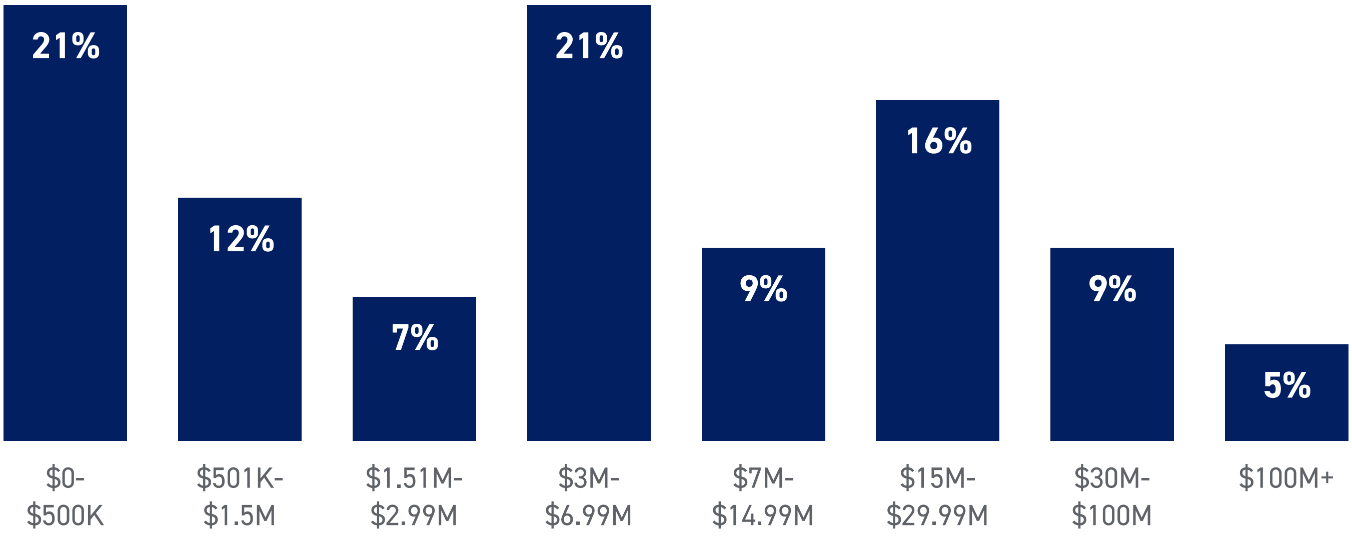
> "We chose not to take external startup capital because we were able to operate profitability from year one. Ultimately, the freedom to guide the vision for the company was super important to the team, and that autonomy has allowed us to excel."
>
> -Gabe Mayer, co-founder of Tricura Insurance Group

Capital raised to date

The participating startups in our research raised a range of capital was raised from a few hundred thousand to more than one hundred million dollars. There was a linear relationship between the amount of capital raised and the amount of premium generated.

Notably, the largest three segments of capital raised were $0 to $3M, $3M to $7M, and $15M to $30M. Figure 6 highlights the percentages of respondents that have received funding to date. This aligns with typical venture funding rounds that a startup would experience: Seed, Series A, and Series B.

Figure 6. Capital Raised to Date



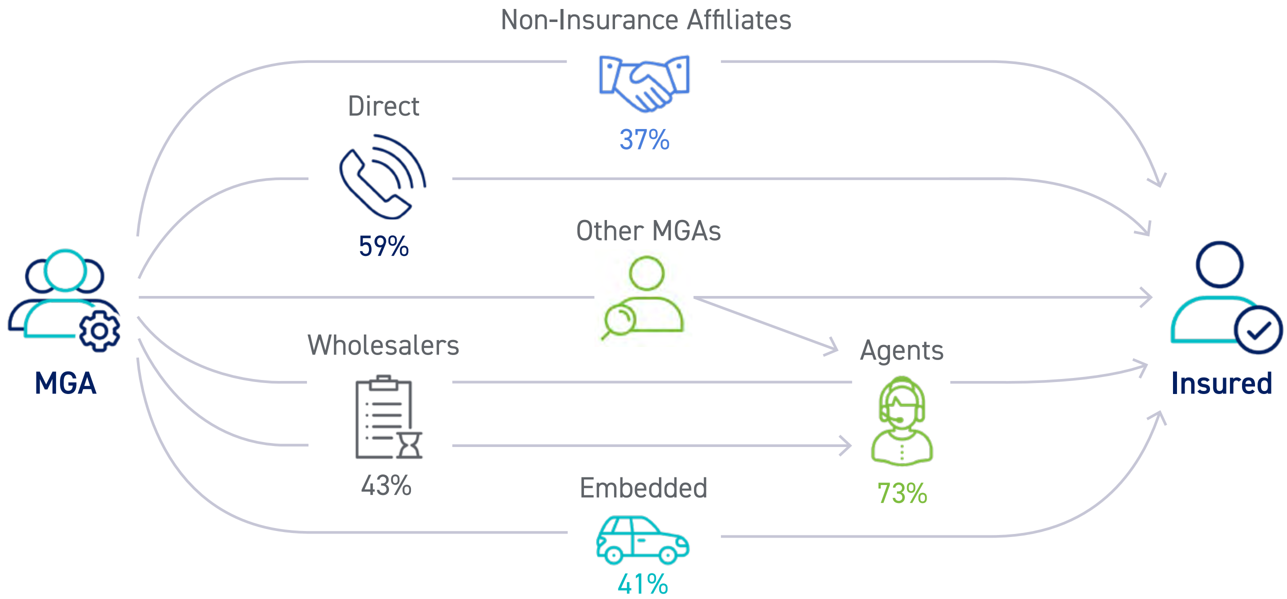
The primary explanation for the drop off in funding is a combination of the age of the startup and survival rate. Startups with $0-$3M in funding were generally newer companies than those with larger amounts of funding. Also, per Pitchbook, the typical survival rate of startups from Seed to Series A was less than 25%. Based on our anecdotal evidence, the survival rate of MGAs is higher than the average venture-backed startup due to all the challenges required to obtain capacity.

Distribution

Retail agents continue to be MGAs' largest distribution channel across all lines of business. As illustrated in Figure 7, MGAs leverage several different channels to reach the end customer, and more often than not, they use more than one approach. More than half employ a direct-to-consumer/business strategy, with two-thirds of that group also using retail agents and brokers.

> **"We partner with experienced multifamily retail brokers because this class of business presents complex risks that demand the consultative expertise they deliver to our mutual customers."**
>
> **- Mark Gardella, founder of Sertis**

Figure 7. Distribution Channels for Insurtech MGAs



There is no dominant approach to the number of agents an MGA partners with. More than half (54%) have fewer than 100 individual producers selling at least one of their products. Sixteen percent use more than 1,000 agents, mostly selling property lines.

Another channel that 43% of insurtech MGAs use is wholesalers, with two that distribute through that channel exclusively. One pro to this approach is when an MGA has a limited geographical presence, as wholesalers often operate across multiple regions. This extended reach helps MGAs access new markets and customer bases that they might not be able to serve directly. Another advantage is that wholesalers may have relationships with more capacity providers, thus increasing the MGA's market access.

It should also be noted that while 22% of MGAs said that embedded/parametric insurance was their primary go-to-market model (Figure 2), a total of 41% distribute either an embedded or parametric insurance product.

Despite the many avenues an MGA can take to sell insurance, distribution remains a top challenge for several reasons. Customers in niche markets may not be fully aware of their need for specialized insurance products or the benefits offered by MGAs. Niche markets also have smaller pools of potential clients, making it harder to achieve scale, which can limit growth potential. Maintaining a consistent and healthy flow of applications into the sales pipeline through all available channels is essential for MGAs to thrive and survive.

Growth and capacity

Unlike brokers that serve as intermediaries, MGAs are reliant on a set of capacity partners that provide paper and reinsurance in order for them to exist. Respondents to our survey validated several of the common understandings of startup MGAs, including:

- **More capital makes for faster growth.** There was roughly a one-to-one relationship between the amount of capital raised and the amount of GWP sold by MGAs.
- **Most MGAs have a single point of failure.** More than 55% of the respondents had a single carrier reinsurance relationship and were subject to the "reinsurance veto."

The assumption about a single point of failure was best stated in our interview with Sertis. Founder Mark Gardella said, **"If you don't have capacity, you don't have a company."**

Our data also disproved two commonly held myths of startup MGAs whispered by carriers in the space:

- **"Startup MGAs lose reinsurers' money."** The majority of respondents had healthy loss ratios for their line of business, including a fair amount that ran their businesses with sub-50% loss ratios.
- **"Startups burn money at unsustainable rates to grow."** Only 7% of the respondents had burn rates of more than $3M per year.

Capacity providers

To better understand the marketplace of carriers that are supporting insurtech MGAs, we asked survey respondents to share which carriers provided them with paper and reinsurance. Below is a chart that summarizes the findings. The size of the square represents how many respondents established partnerships with those specific carriers.

Figure 8. Common Capacity Providers and Fronts for Insurtech MGAs

Growth curve

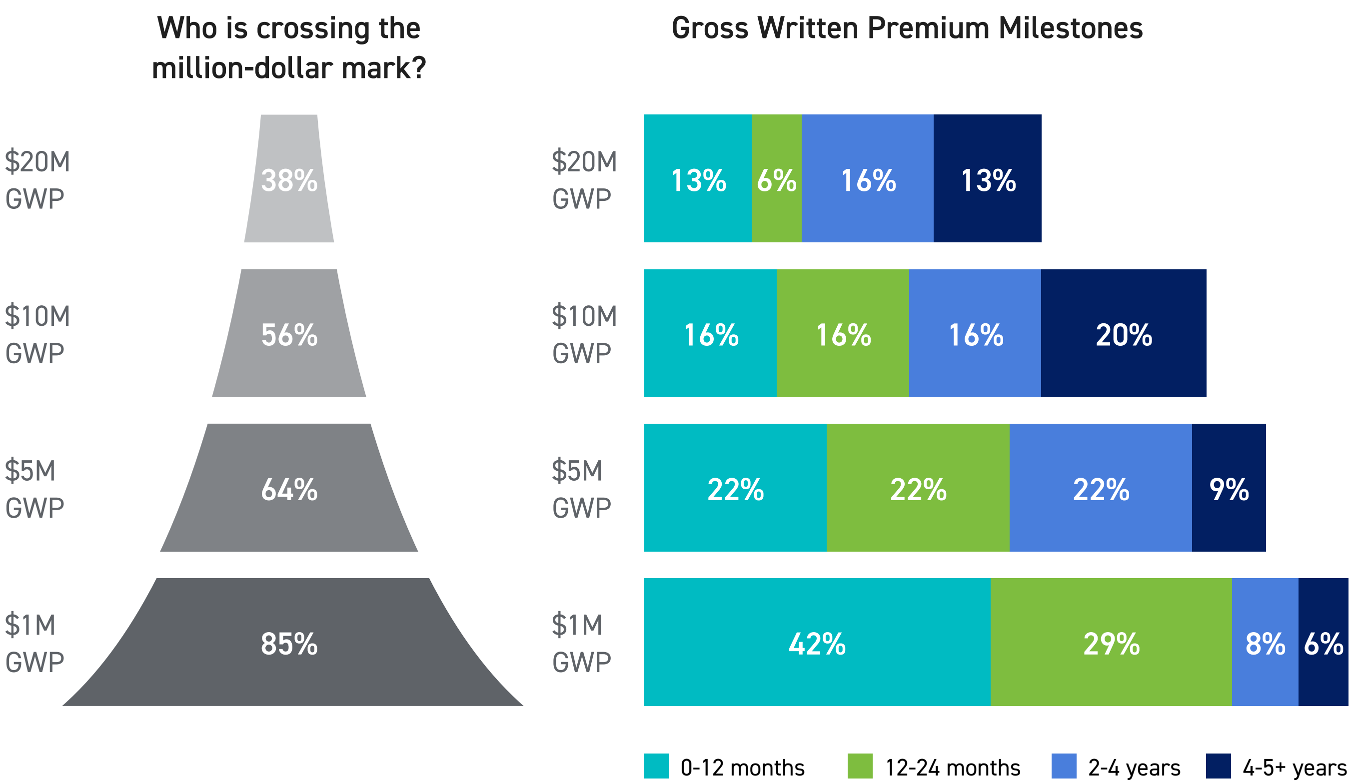
Startup MGAs require scale to reach profitability and satisfy the expectations of their paper and capacity providers. The general rule of thumb is that an MGA is not worth the effort for a capacity provider unless they can reach a minimum of $5M in premium, with a preference for a path to $10M in a relatively short amount of time.

Historically, premium growth expectations for MGAs were not as strict because brokers or wholesalers typically rolled a portion of their existing book of business into the MGA program. Now, more than ever, distribution and the pace of distribution are critical to the long-term viability of an MGA.

Our original hypothesis was that more than half of the companies would state they reached $5M in GWP in two years or less, as that is what they typically promise their capacity providers. The data shows that 54% of startup MGAs reach the $5M milestone in two years. And, those same MGAs make it to $10M in two years only 32% of the time.

Below in Figure 9 is a summary of the premium milestones (left) achieved by the respondents, alongside the time it took them to reach those milestones (right).

Figure 9. MGA Revenue Ladder

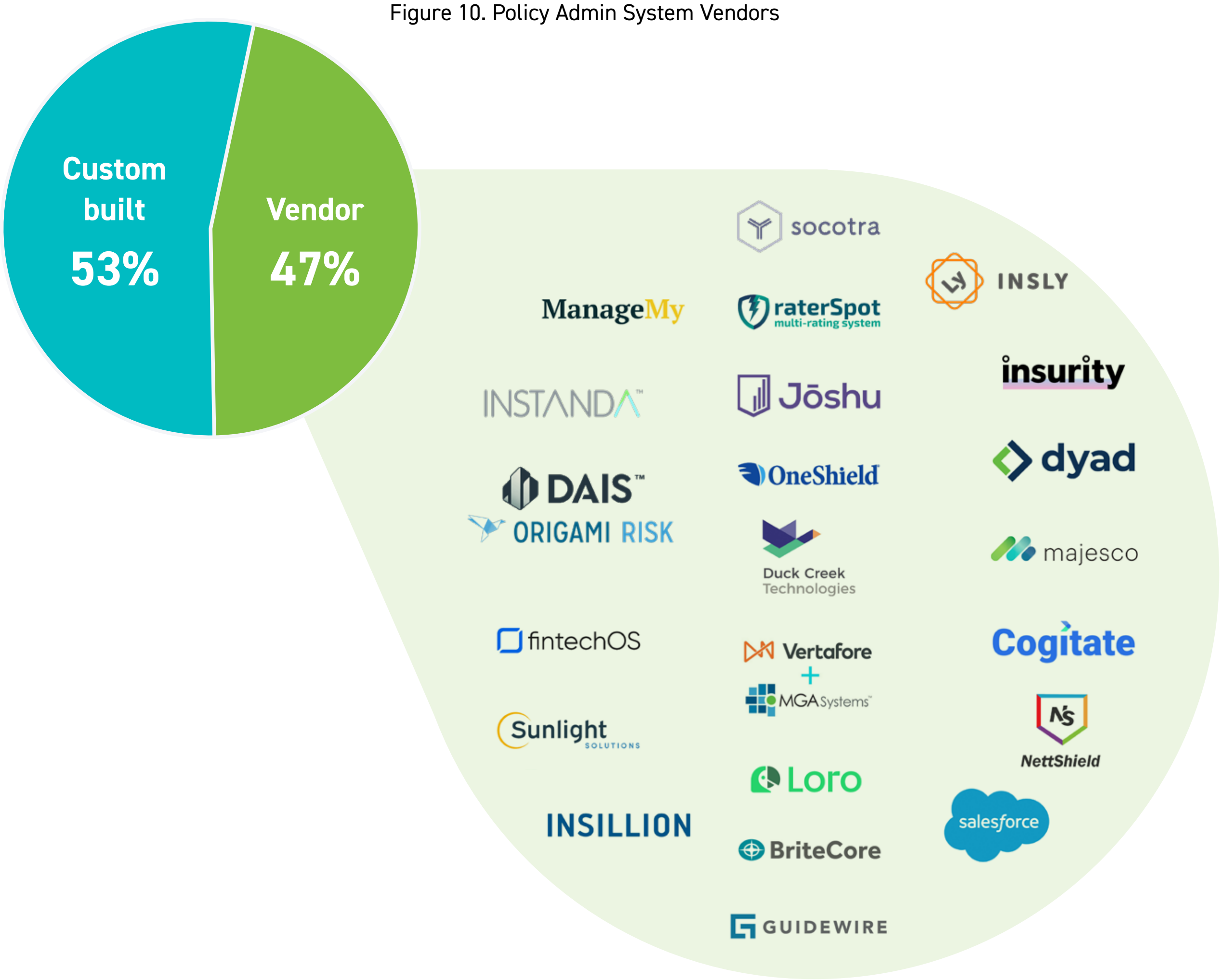


Technology

Many startup MGAs are in a period of rapid acceleration and are leveraging technology to boost distribution and scale operations. As shown in Figure 10, more than half of respondents built their own custom policy admin systems (PAS). This is quite remarkable in an era when carriers are moving in the opposite direction. Carriers (especially larger ones) used to believe that they were unique, had the resources to build their own core systems and could create a competitive advantage through their custom-built systems. That approach has completely changed in the past decade, with virtually all carriers implementing and using vendor systems for policy, billing, and claims. So the fact that 53% of insurtech MGAs built their own systems is bucking that trend and speaks to the true uniqueness and differentiation required in this market.

However, a significant group (almost half) instead chose a technology partner for their policy admin needs. The figure below highlights many of the key providers of policy admin systems for the MGA market. In addition to serving the insurtech space, many of these players are also partners to incumbent MGAs. We should also note that the diagram below is not intended to represent the entire policy admin provider space that serves MGAs.

Figure 10. Policy Admin System Vendors



Despite the varying approaches to policy systems, there appears to be almost no correlation between whether a PAS was custom-built and the amount of money raised by the MGAs or their profitability.

Today, solution providers recognize the role MGAs play in fostering innovation, especially in terms of product flexibility and customer engagement, and many are intent on expanding their MGA customer base, especially core system providers. Those that are traditionally focused on insurers are now offering solutions designed explicitly for MGAs with quicker time-to-market, flexible configurations, and seamless integrations with various third-party tools. Those vendors with purpose-built tech solutions for MGAs are also thriving. In short, the MGA space has become extremely competitive as incumbent and new tech providers fight for market share.

Many MGAs today recognize the need for modern policy administration systems. They may also have billing, claims, and CRM systems. In some cases, an MGA may leverage both an AMS (agency management system) and a PAS. In fact, MGAs now often have one of the most complex tech stacks in the industry. Since rating is critical to MGAs, there are a variety of approaches to differentiate, with some using custom-built rating engines, others configuring rating engines that are embedded in the PAS, and still others leveraging standalone rating engines. However, the very nature of MGAs and how they serve complex and specialty markets means that they don't write cookie-cutter, one-size-fits-all policies, which can lead to complications when seeking right-fit technology partners. Unique programs often encounter challenges in finding systems that seamlessly integrate with their business model. Nevertheless, we see insurtech MGAs placing a high level of focus on establishing a modern tech platform, so they are willing to invest time and money, whether taking a custom-built approach or working with vendors.

Conclusion

The startup MGA space is thriving and expected to continue to grow. As the world becomes increasingly complex, a critical need arises for focused and innovative insurance solutions. Existing, known exposures have evolved and now require extensive industry knowledge and customized programs, while emerging risks provide avenues for growth. Technology enables the industry to address coverage gaps via microinsurance and new forms of alternative risk transfer. All of these areas are where MGAs excel.

Our research confirms that obtaining capital, capacity partners, advanced tech capabilities, and an experienced team are not the primary challenges – all of these are available to enterprising and experienced founders. The main challenges lie in sales and distribution, including attracting agent/broker partners, building affinity relationships, and collaborating with other MGAs or wholesalers. Building a brand in their selected space is part of this equation, but it is also about creating a unique and differentiating value proposition to attract partners.

While some argue that the MGA sector is becoming oversaturated with participants, some will likely face failure, acquisition, or a merger with another group. Nevertheless, we predict that MGAs overall, and especially insurtech MGAs, will continue to be drivers of growth for the industry throughout this decade with innovative solutions and approaches to the market.

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