HELPING MGAS ACHIEVE A POWERFUL OPERATING SYMMETRY

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The Vital Role of MGAs in the Insurance Ecosystem

MGAs play a critical role in the insurance value chain, acting as intermediaries between insurers and brokers, and often having delegated authority to underwrite and manage claims. The complexity of the insurance market, combined with increasing pressure to maintain profitability in a competitive environment, can create multiple challenges.

For MGAs, maintaining profitability while balancing competitive pricing with effective claims management requires operating symmetry. To navigate these challenges successfully they must leverage advanced technology and data analytics, maintain a keen eye on risk management and adapt to regulatory changes. At the same time, they must stay attuned to market dynamics, including the requirement to operate sustainably, and deliver against customer expectations, ensuring they offer value while keeping operational costs under control.

The Risk Behind Inaccurate Pricing

Accurate pricing is a critical function. An MGA’s products must be priced competitively to attract customers, but aggressive pricing to gain market share can lead to underwriting losses if the risks are not fully understood. There is a fine balance to be found. Disciplined underwriting practices can make it difficult to compete on price, but allowing less stringent underwriting rules can lead to higher claims costs.

Factors like climate change and new technologies mean that risks are evolving rapidly and are not necessarily reflected in traditional pricing models, leaving MGAs exposed to underpricing.
Poor pricing decisions leading to high loss ratios can result in reduced capacity, effectively placing the MGA in an operating stranglehold.

Challenges in Accessing and Utilising Quality Data

Data can be invaluable to inform pricing, but many MGAs struggle with access to the volume and quality of data necessary to make accurate pricing decisions and may have to rely on fragmented or inconsistent data from multiple sources.

Those MGAs focusing on the rising demand for niche or speciality coverage in order to build their books of business may lack enough historical data to predict loss ratios accurately.

Some of these speciality lines of business can also be more exposed to catastrophic events (e.g., natural disasters) and without proper risk mitigation, the resulting claims can be financially disastrous.

Unquestionably, reliance on poor quality and inconsistent data can lead to mispricing and increased claims costs.
It is true that advanced analytics and predictive modelling can assist in the drive for more accurate pricing, but implementing and integrating these tools can be expensive and requires specialised expertise which many MGAs lack.

Balancing Claims Management with Cost Control

Controlling costs and managing claims efficiently can help to balance the scales for MGAs. Today’s customers demand transparency and expect fair premiums and rapid claims processing; but problems can arise if the MGA lacks the digital infrastructure and efficient workflows to deliver. Customer trust must be built through clear communication of pricing structures and claims handling processes to support customer retention. Outdated claims processes not only slow down the claims life cycle and create customer dissatisfaction, they also increase operational costs.

Fraud detection and prevention add a further layer of complexity and increase an MGA’s exposure to losses. Identifying and mitigating fraud requires investment in specialised technology which not all MGAs have the budget or expertise to implement. Meanwhile, claims costs and frequency continue to rise, especially in volatile markets where they may be offering speciality cover. To maintain a sustainable business model, MGAs need to balance fair claim settlement with efficient cost control.

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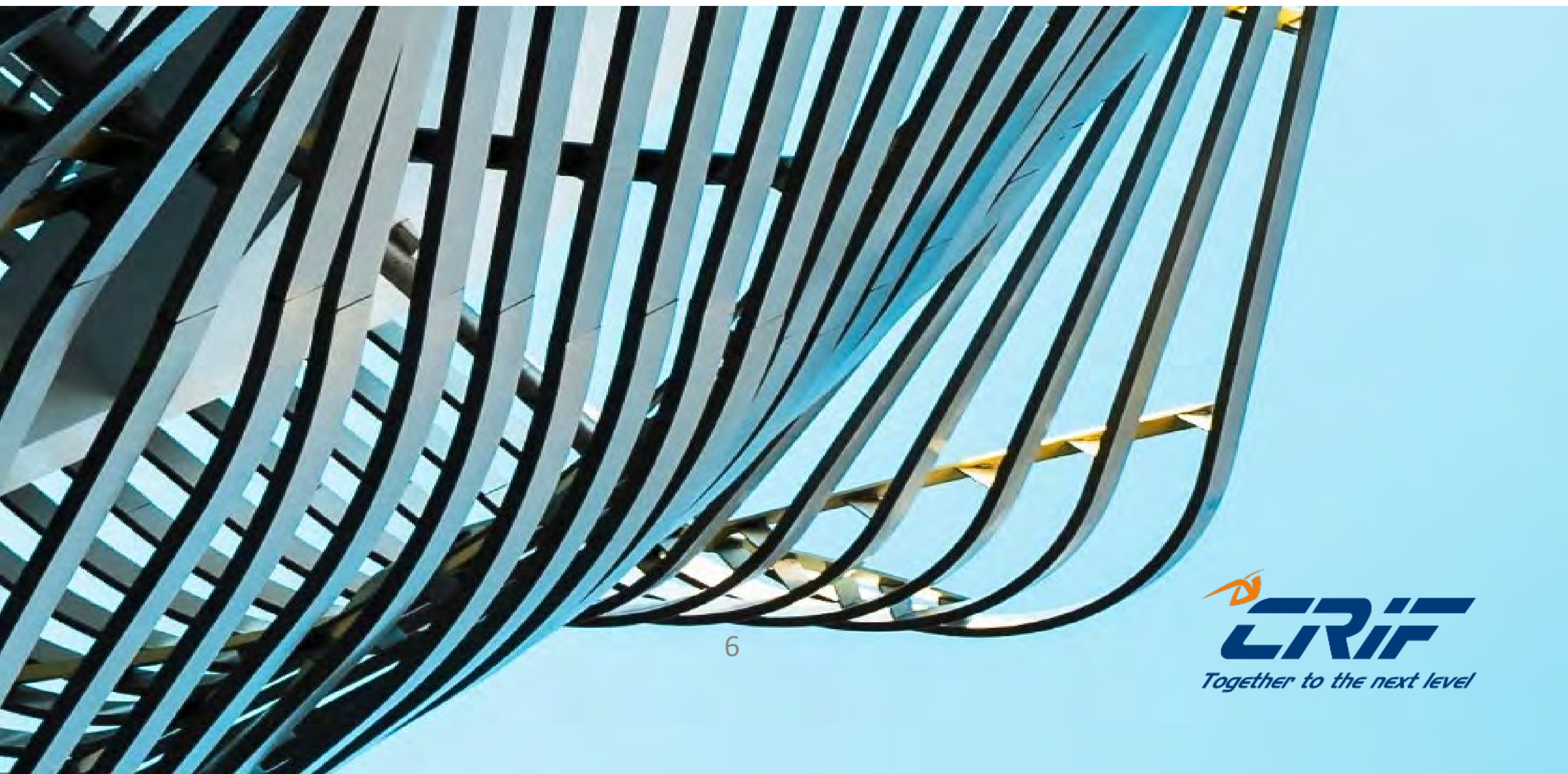
Navigating ESG Expectations

The drive for Net Zero brings further wide-ranging impacts for MGAs from operational shifts and portfolio realignments to the development of new insurance products tailored for sustainable industries.

However, currently many MGAs lack the tools and systems needed to accurately measure their own operational carbon emissions or the emissions associated with their insured portfolio. This leaves them exposed to regulator, carrier, and even customer dissatisfaction as the expectation for organisations to actively reduce their carbon footprint grows.

The potential to target low carbon industries with green insurance products is lost as the associated risks cannot be evaluated, whilst pressure at the same time from carriers and stakeholders to avoid underwriting high-emission industries can reduce an MGA's overall operating environment.

Risks are evolving rapidly due to factors like climate change, and new technologies. Traditional pricing models may not fully account for these emerging risks, increasing the likelihood of underpricing high-risk policies or new types of risk. Moreover, carriers put high pressure on MGAs to maintain a profitable book of business. Poor pricing decisions leading to high loss ratios can result in reduced capacity or the termination of contracts, and MGAs must carefully balance competitive pricing with profitability.



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Today, MGAs can maintain profitability while balancing competitive pricing to achieve a powerful operating symmetry.

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Data-driven Pricing & Underwriting, Including ESG Risk Assessment

CRIF provides ESG Data & Analytics enabling MGAs to perform a sustainability assessment of their portfolio, that can be easily integrated into their core processes and facilitate effective actions on a range of ESG issues. These include but are not limited to measuring greenhouse gas (GHG) emissions and evaluating transition, physical and environmental risks in view of upcoming regulations.

All that is needed is the VAT or company registration number of a UK or European business to get an ESG score along with granular environmental, social and governance indicators, without the need to involve the individual company itself. CRIF ESG Solutions also empower MGAs to gain a comprehensive understanding of the ESG compliance of their own business and the companies, customers or suppliers they engage with.

These solutions can be distributed to brokers and clients as added value services, by innovating the MGA product offering with a tool supporting the ESG & sustainability journey of their client base.
Organisations can evaluate their own sustainability and the sustainability of their supply chain, get an ESG score and an action plan to improve the way they operate, build long-term resilience and address the compliance challenges of any upcoming ESG regulations.

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Taking Claims Management to the Next Level

New types of risks and consequently claims are more frequent and come with higher costs. Managing these claims efficiently while keeping costs under control is a significant challenge for MGAs, especially in volatile markets.

CRIF Claims Management Solutions can provide MGAs with unrivalled access to data enrichment services to enhance their claims verification process and uncover comprehensive information about any business, complementing existing verification methods.

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Speeding up investigations and reducing fraud losses

Fraudulent claims add a layer of complexity to claims management, and expose MGAs to lower profitability or even losses. Identifying and mitigating evolving fraud patterns requires investment in technology, data enrichment, and innovative tools.

CRIF Fraud Investigation Solution can help MGAs create an immediate profile of customers, highlighting the potential risks involved. Sherlock is designed to deliver, in one click, counter-fraud intelligence to the investigator. By consolidating best of breed data sets on a single screen,

Sherlock, CRIF Fraud Investigation Solution, supports around 100 UK insurance providers in speeding up the investigation process, delivering operational efficiencies, and reducing the time to collect and integrate key information. Sherlock delivers significant time and cost efficiencies to the market, reducing investigation times by circa 30% and controlling costs via the ‘pay as you go’ model.

There is a compelling business case for data driven decision making in insurance investigations and CRIF developed Sherlock to assist the industry in taking full advantage of the data sources available, both now and in the future, to protect and grow the bottom line.

CRIF offers a suite of fraud prevention, pricing sophistication and ESG solutions aimed at supporting insurers in properly identifying new customers, preventing insurance fraud and developing sustainable growth.

CRIF is a global Fintech company specialising in the development and management of credit bureau services, business information systems and insurance solutions. CRIF has an international presence, operating across four continents (Europe, America, Africa and Asia) and supporting over 10,500 banks, 450 insurance companies and more than 90,000 business clients in 50 countries.

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