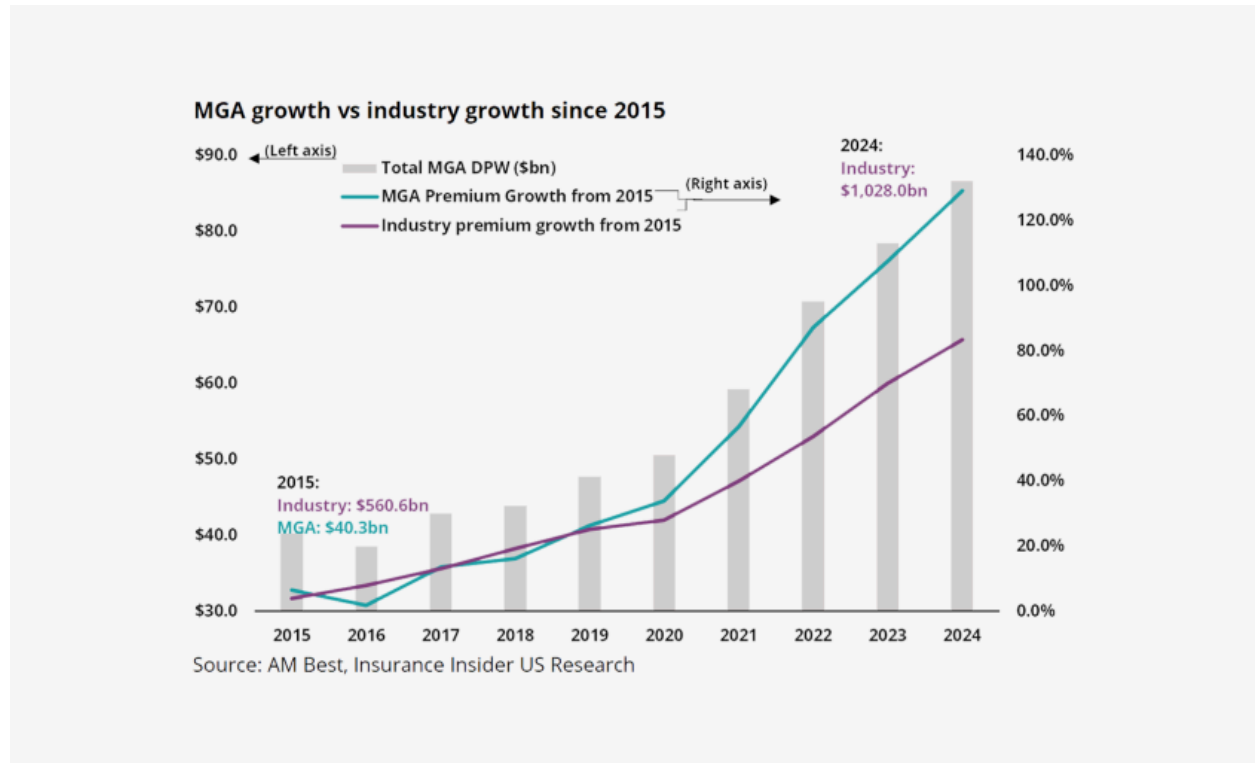


Q2 earnings: Unrestrained MGA growth concerns E&S execs

On Q2 calls, carrier executives called out fierce competition in various lines of business, and a misalignment of interest.

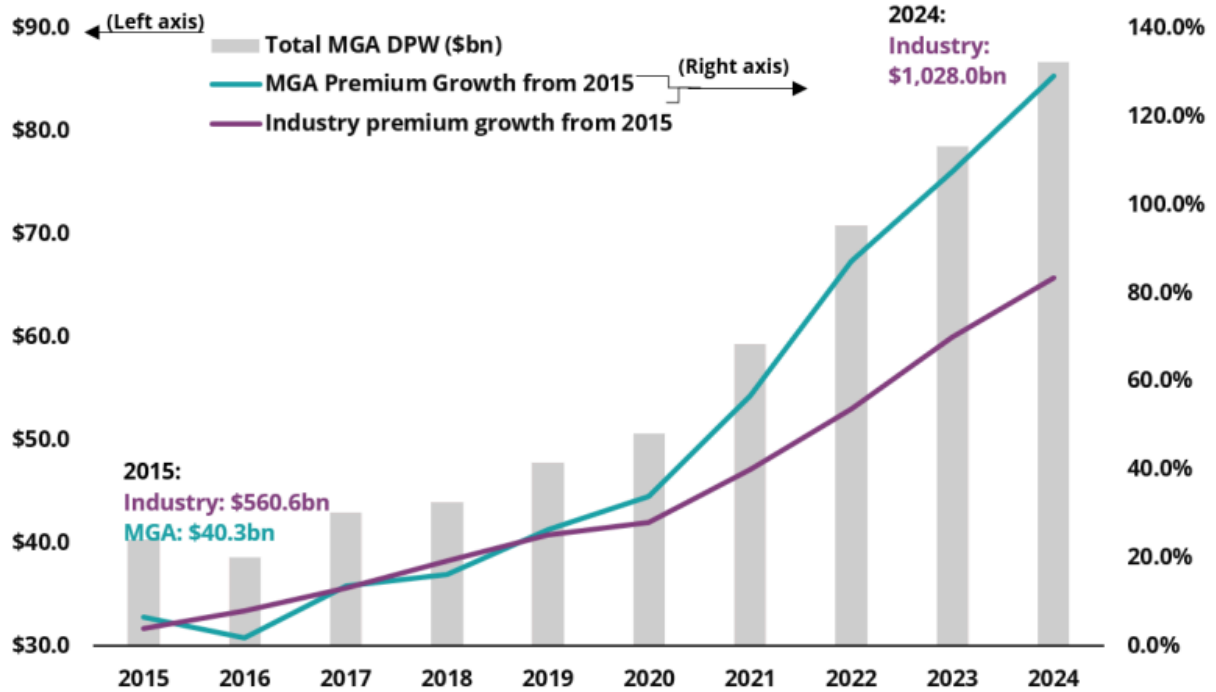
By Sanvi Bangalore



MGA growth has led to increased competition for E&S insurers, but executives questioned the quality of that expansion and its impact on markets on their Q2 earnings calls.

MGA direct written premiums have [more than doubled](#) over the past 10 years, and the marketplace wrote between \$95bn and \$100bn in 2024. This equates to approximately 9% of total 2024 industry premiums of \$1tn, according to the *Insurance Insider US* research team.

MGA growth vs industry growth since 2015



Source: AM Best, Insurance Insider US Research

WR Berkley CEO Rob Berkley, however, noted that much of the recent MGA growth has been driven by new, less experienced entrants, often fueled by “reinsurance capacity that seems to have an unquenchable thirst for growth”, without adequate oversight.

“Particularly those that have been around for a long while have seen some version of this movie,” he said.

Berkley **added** that the carrier has received a “startling number” of acquisition inquiries from investment bankers representing MGAs, many of which are backed by private equity, recently.

The CEO regarded the flurry of offers as a possible sign “that the music is slowing”, implying that the rapid expansion phase may be nearing a turning point.

The *Insurance Insider US* research team noted that MGA growth plateaued at around 10% for 2023 and 2024. P&C premium growth overall has hovered around 8%-10% between 2021 and 2024, so the recent reduction in MGA growth brings the marketplace closer to the rest of the industry.

This means that the “wheat will be separated from the chaff”, they wrote, and that it will prove or disprove whether this class of MGAs is different than prior cycle turns.

This publication also argued [earlier this year](#) that particularly large MGAs will need to look at strategies to get more out of what they already have now that their initial expansion phases could be over.

Q2 MGA commentary

WR Berkley CEO Rob Berkley	“Startling number” of acquisition inquiries from investment bankers representing MGAs, typically those backed by private equity.
Kinsale COO Brian Haney	MGAs fueled by “reinsurance capacity that seems to have an unquenchable thirst for growth”. “The model as a whole is challenged by a misalignment of interest.”
RLI CEO Craig Kliethermes	The “situation is reminiscent on a smaller scale of the mortgage crisis of 2008”. MGA competition in commercial auto is “shocking given we think that’s like ground zero for some of this legal system abuse”. RLI has responded by strategically pulling back from larger accounts.

Source: Insurance Insider US

MGA market impact

Kinsale and RLI executives [agreed](#) that MGAs have introduced more competition into the marketplace.

Kinsale COO Brian Haney noted that although there are experienced MGAs in the market “with long track records of success, the model as a whole is challenged by a misalignment of interest”.

He continued that some fronting companies are posting “unsustainable gross loss ratios of 100% or higher, signaling capital destruction”.

Haney added that the top six E&S fronting carriers are projecting 2024 gross loss ratios well below Kinsale’s figures, despite consistently worse loss development in older accident years.

“Either they, as a group, have experienced a miraculous turnaround or they are under reserving,” Haney said.

Posting inadequate reserves only “pushes the problem down the road for a time”, he added, as loss reserves eventually turn into paid claims.

“The situation is reminiscent on a smaller scale of the mortgage crisis of 2008 where you had a misalignment of interest between the originators and carriers of risk, which resulted in a fundamental mispricing of that risk,” the executive said.

The influx of MGAs has resulted in heightened competition for the company, contributing towards declining premiums in key lines such as commercial property, construction, life sciences, and management liability.

However, Kinsale continues to see growth in small business property, high-value homeowners, commercial auto, entertainment, and general casualty, the executive added.

Meanwhile, RLI CEO Craig Kliethermes pointed out that the carrier is seeing MGA competition in commercial auto and transportation overall.

The executive went as far as to say that he finds the competition “shocking given we think that’s like ground zero for some of this legal system abuse”.

COO Jen Klobnak added that RLI responded to this tension by strategically pulling back from larger accounts, those with premiums over \$1mn, where MGA and peer competition is fiercest. As a result, the company’s portfolio now skews more toward smaller accounts.