

News Release

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Program Administrators and Managing General Agents Identify
Key Challenges, Finds Annual Guy Carpenter Survey
Market Stabilizing, Declining Profitability and Rate Levels Are Growing Concerns

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Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a part of the Marsh & McLennan Companies (NYSE: MMC), today published the results of its yearly survey of the Program Administrators and Managing General Agents (PA/MGA) market.

Developed as a benchmark study of key industry issues, the *Sixth Annual Specialty Insurance Program Issuing Carrier Survey* provides insights from a combination of traditional multi-line insurance carriers, specialty carriers and PAs/MGAs. The survey results are available at www.gccapitalideas.com.

MARKET SIZE AND STABILITY

- Ninety percent of the survey participants estimate the total PA/MGA market to be at least USD20 billion in gross written premium (GWP), approaching the 2008 peak of 92 percent. Approximately one-third believe the market to be greater than USD40 billion in GWP, the highest level in the six years that Guy Carpenter has conducted this survey.
- Market stability is the prevailing observation among those surveyed, with 59 percent seeing virtually no change in PA/MGA market size, 23 percent forecasting growth and 18 percent expecting it to shrink.
- Nearly one-third (30 percent) estimate a market-wide combined ratio of over 100 percent – a drastic change from 8 percent in 2009. The majority (71 percent) estimate a program market combined ratio of 90 percent to 100 percent, compared to 92 percent last year. These findings reflect the continuation of last year's trend of declining profitability, as perceived by the survey respondents.

KEY CHALLENGES

- About half (51 percent) of the respondents report that new business production is a challenge, compared to 67 percent in 2009 and 77 percent in 2008.
- Only 42 percent see premium growth as a challenge, falling from 58 percent last year and 66 percent in 2008.
- Rate levels continue to be of concern for the PA/MGA market, climbing to 71 percent this year, up from 61 percent in 2009 and 58 percent in 2008.
- There is interest in programs of almost all sizes, with 20 percent of the respondents targeting programs with GWP above USD15 million, 32 percent targeting programs with USD10-15 million in GWP, and the remaining 48 percent seeking programs with GWP of under USD10 million.

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- Reinsurance continues to play an important role for program issuing carriers. Only 5 percent report that they work exclusively with direct reinsurers, with 35 percent working with reinsurance intermediaries and 60 percent using a combination of intermediaries and direct reinsurers.

QUOTES

Bob Kimmel, Head of North American Programs, Guy Carpenter & Company, LLC

“The Program Administrators and Managing General Agents market continues to demonstrate resilience, consistency and strength as it progressively shows signs of recovery and stabilization. Over the past five years, we have witnessed several significant shifts indicating that the market has matured, from the growth in the number of carriers entering the space and number of MGAs shifting to writing specialty-driven lines from more commodity-driven lines, to the increased sophistication of MGAs as they focus on more complex commercial risks using cutting-edge analytical and underwriting tools.”

TAGS/KEYWORDS

Guy Carpenter, program administrators, managing general agents, MGA, specialty insurance, Kimmel

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Guy Carpenter & Company, LLC is the world’s leading risk and reinsurance specialist and a part of the Marsh & McLennan Companies. With over 50 offices worldwide, Guy Carpenter creates and executes reinsurance solutions and delivers capital market solutions* for clients across the globe. The firm’s full breadth of services includes line of business expertise in Agriculture; Aviation; Casualty Clash; Construction and Engineering; Excess and Umbrella; Life, Accident and Health; Marine & Energy; Medical Professional Liability; Political Risk and Trade Credit; Professional Liability; Property; Retrocessional Reinsurance; Surety; Terrorism and Workers Compensation. GCFac® is Guy Carpenter’s dedicated global facultative reinsurance unit that provides placement strategies, timely market access and centralized management of facultative reinsurance solutions. In addition, GC Analytics utilizes industry-leading quantitative skills and modeling tools that optimize the reinsurance decision-making process and help make the firm’s clients more successful. Guy Carpenter’s website address is www.guycarp.com.

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