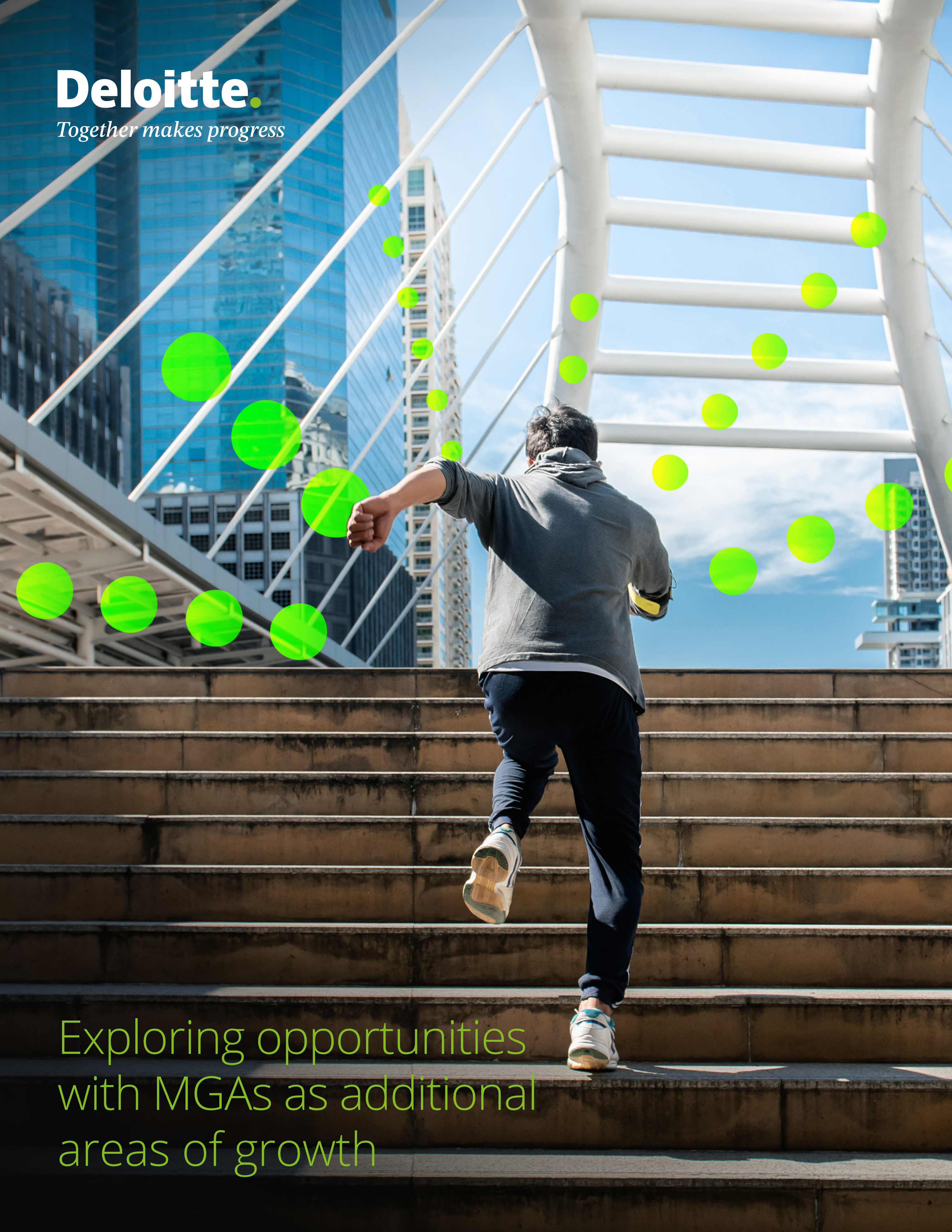

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Exploring opportunities with MGAs as additional areas of growth

Introduction

As private equity (PE) continues to grow its presence in the insurance sector, many players are increasingly drawn to managing general agents (MGAs)—intermediary firms that are granted underwriting authority by carriers. MGAs present an enticing investment for PEs—they are asset-light, high-margin positions in the value chain with natural scalability and fee-based recurring revenue.

Activity in the independent underwriting space has already begun to drive valuations higher, with double-digit EBITDA multiples common in recent exits.[1] PE players that can effectively navigate the deal space and commit to thoughtful scaling strategies stand to notch big wins in a fast-growing sector. In this piece, we explore how MGAs have risen to the top of many PE strategic agendas and the value these vehicles offer to investors amid a fast-changing insurance landscape.

How PE's insurance presence has evolved

Up until the early to mid-2010s, PE's presence in the insurance sector was largely limited to life and annuity carriers with occasional opportunistic interest in runoff books and distressed assets in the property and casualty (P&C) space.[2] Apollo grew Athene as a life and annuity consolidation platform from which it could manage large volumes of float, while Carlyle and other players focused on runoff P&C and life books.

Since roughly 2015, PE interest in asset-light, distribution-focused portions of the value chain including brokers, insurtechs, and MGAs has grown. Investment theses evolved from insurance portfolio companies as stable sources of long-term capital to insurance investments as high-margin, fast-growing businesses in their own right. The years 2020 through 2024 included major deals in the insurance brokerage space including Truist's sale of its insurance brokerage company, TIH Inc., to Stone Point Capital and CD&R as well as Sixth Street's acquisition of Enstar Group.[3] In the past few years, focus on brokers has stayed strong, but exit EBITDA multiples have stabilized or slightly compressed as consolidation has taken hold and major players reach scale. However, PE focus on MGAs has only intensified as players such as Warburg Pincus, Goldman Sachs Asset Management, and Stone Point Capital pursue platform-based roll-up strategies (though PE focus on managing general underwriters remains more muted).[4] PEs now own more than 30% of US MGA entities (figure 1).

What are MGAs, and how do they fit into the insurance value chain?

MGAs are insurance intermediaries that operate with delegated authority on behalf of carriers. They can bind coverage, underwrite policies, and sometimes perform a range of other tasks such as claims handling without bearing traditional insurance risk themselves. They often focus on P&C lines requiring niche expertise (e.g., cyber, marine, excess and surplus, aviation) while also underwriting typical P&C coverage areas.

In the context of the broader value chain, MGAs fit between carriers and brokers (or direct distribution) as outsourced underwriting and product development arms, though some themselves are majority owned by brokers or carriers. Many MGAs have their genesis as carve-outs of underwriting arms of legacy carriers—those that are wholly or majority carrier-owned are termed “affiliated” and typically serve only their majority carrier investor, whereas those that are minority carrier-owned or otherwise independent or under separate ownership are termed “unaffiliated” and serve multiple carriers. “Affiliated” MGAs account for 45% of the current market by premium (figure 2), though many carriers have shown interest in carve-out opportunities in recent years.

Figure 1: US Ownership structure of MGAs by entity count

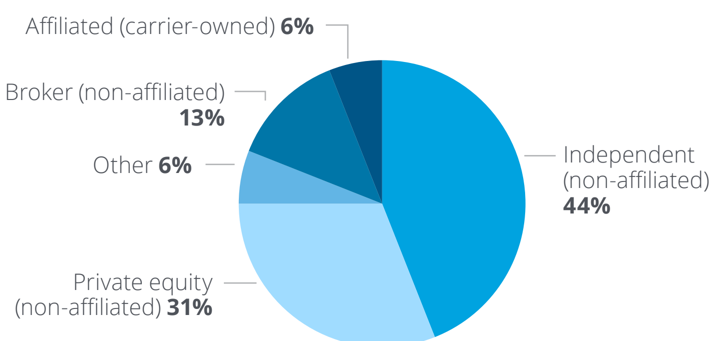


Figure 2: US ownership structure of MGAs by premium amount

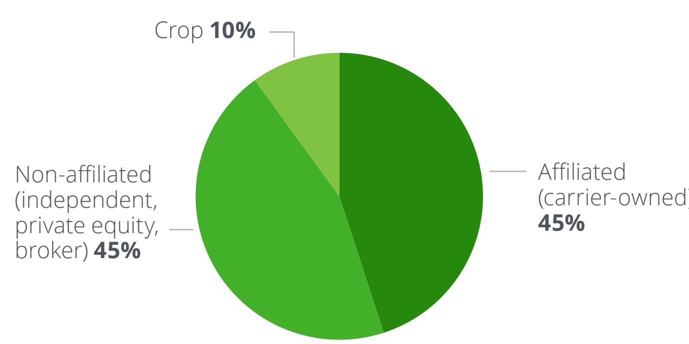
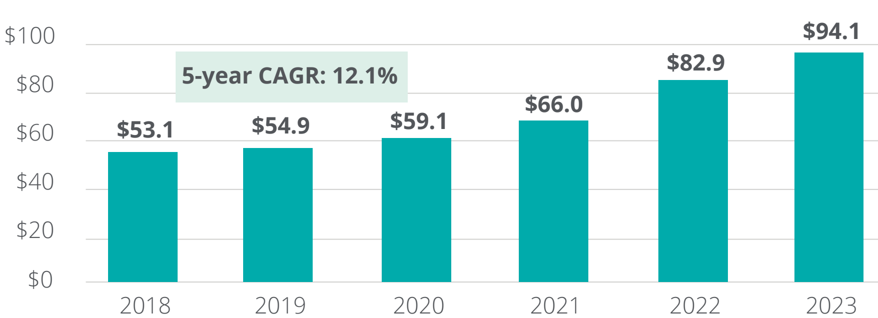


Figure 3: Direct written premium growth of MGAs 2018–2023 (USD in billions)



Source: Aon[5]

Note: Direct premium written growth shown includes estimated 15%–18% unreported premium (e.g., premium that does not surpass NAIC Note 19 reporting threshold of 5%).

Opportunity indicators for MGA investment

While competition for M&A has intensified among buyers, several indicators point to potential opportunity for PE firms contemplating moves into the space:[6]

- **Meaningful revenue growth:** MGAs have achieved strong premium growth of more than **12% CAGR** between 2018 and 2023, now totaling almost **$100 billion** in written premium and constituting nearly 10% of the total P&C insurance market.[7]
- **High margins:** MGAs often score EBITDA margins of **20% to 30%**, benefiting from asset-light, tech-enabled business models.[8]
- **Fragmented market:** The non-affiliated MGA market remains **fragmented** with the **top 10** MGAs accounting for just **17%** of the market and those ranking **11th to 50th** accounting for **27%** (figure 4), suggesting significant opportunity for consolidation.[9]
- **Strong, reliable cash flow:** Renewal rates for P&C insurance sit in the **90%** range, offering predictable revenue streams from businesses that do not pose the same balance sheet risks as carriers.[10]

Figure 4: MGA market structure in 2023 (by direct premium written)

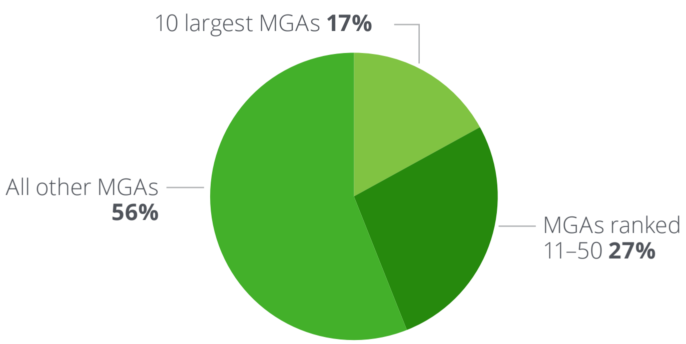
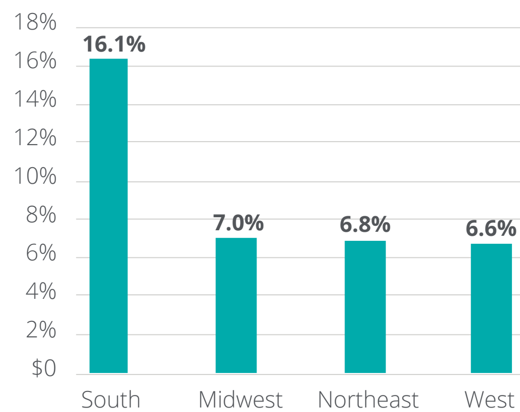


Figure 5: Share of total US P&C premium written by MGAs by region



Source: Conning; Insurance Information Institute; Aon[11]

Overall, MGAs represent a unique and attractive asset class for PEs seeking exposure to insurance premium growth without the complexity and regulatory capital associated with bearing insurance risk. Their commission-based or fee-for-service revenues, simpler balance sheets, and natural scalability make them more analogous to software-as-a-service businesses than traditional insurance carriers.

Industry trends impacting MGAs and their investors

MGAs and their investors will need to navigate a rapidly changing market landscape. Here are some of the key trends and considerations affecting MGAs and opportunities for investors looking ahead:

Key trend	Our perspective on opportunities for PEs
Demand for automation, efficiency, and advanced tech-enabled capabilities is high among all ecosystem players[12]	• Approach dealmaking with an eye toward a platform-based roll-up growth model. • Back tech-native MGAs with sophisticated, scalable platforms that effectively leverage data and AI in pricing and underwriting.
Newer risk niches like climate and cyber, which require specialized expertise to scale effectively, continue to emerge[13]	• Focus on risk niches underserved by current carriers and MGAs. • Develop capabilities, like parametric insurance, that leverage data-rich, tech-enabled platforms.
Excess and surplus (E&S) lines are experiencing rapid growth as carriers begin to retrench[14]	• Consider a platform base of MGAs with E&S authority and distribution relationships. • Explore geographies experiencing admitted insurance retrenchment such as the West and Southeast US.
Carriers increasingly favor delegated authority models[15]	• Look for acquisition as well as business development opportunities with legacy carriers eager to streamline operations, accelerate speed to market, and clean up their balance sheets.
Lean operating models and fast growth of MGAs are attracting top talent[16]	• Favor acquisition targets that have demonstrated nimble and scalable staffing models. • Maintain operating model discipline during platform-building by relentlessly automating transactional workflows.
US MGA penetration in the P&C sector varies across geographic regions with more than double the penetration in the South as in other regions (figure 5)[17]	• Explore the South, where there has been greater relative penetration , and consolidation opportunities may encourage greater private capital. • Consider markets in the West, Midwest, and Northeast, where MGAs are underrepresented but specific demand for products outside of highly regulated areas exists.
Exit EBITDA multiples have climbed from ~10x in the mid-2010s to the high teens by the early 2020s, even in the face of rising interest rates[18]	• For buyers targeting opportunities for multiple arbitrage, the focus should be on finding smaller players in untapped lines or markets. • However, given how fast EBITDA multiples have risen in recent years, better returns may be realized by building scalable platforms and improving operational efficiency rather than relying on tuck-in and multiple arbitrage strategies alone.

The insurance industry remains a fertile ground for private equity firms seeking competitive returns and strong growth potential. As the sector continues to evolve toward specialized intermediation, PE firms should look for emerging opportunities on the distribution side of insurance, particularly in MGAs. By maintaining a proactive approach and leveraging their expertise in roll-up execution and platform development, private equity firms could realize significant value in a dynamic, fast-growing market.

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Endnotes

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