



The Role of Managing General Agencies in Ontario's Property & Casualty Insurance Market: FSRA's 2023 Review

December 2024

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Executive summary

Property and casualty (P&C) includes insurance that protects people and businesses from financial losses due to property damage, theft, natural disasters, and legal claims, providing peace of mind and financial stability. It is critical that P&C insurance consumers are treated fairly by those who serve them to ensure they have the necessary coverages to prevent serious financial hardships. This can be especially true for individuals and businesses that rely on insurance to stay afloat after a disaster.

FSRA oversees the conduct of P&C insurers in Ontario to ensure fair outcomes for customers and compliance with regulatory requirements. In June 2023, FSRA announced a [multi-faceted approach to supervision in the P&C insurance sector](#), including Insurer-MGA relationships. This report aims to present FSRA's observations from the review.

P&C MGA (Managing General Agent) market influence

P&C MGAs, as described in [Appendix A](#) for the purposes of this review, play an important role in the P&C market. They can leverage their market expertise to innovate and quickly design products that address specialized risks, providing solutions that might not be available through standard insurance offerings. This includes:

- access to specialized insurance coverage for consumers.
- distribution, marketplace access and specialized expertise for certain lines of businesses to insurers.
- an alternative market for complex and hard-to-place risks for brokers.

FSRA's preliminary intelligence gathering suggested that insurers may delegate functions to MGAs beyond what is typically delegated to other insurance intermediaries such as brokers, agents, or independent adjusters. With the significant role that MGAs appeared to play within the product life cycle, FSRA identified the potential for increased impact on consumers if market conduct risks were not well managed and mitigated.

While MGAs perform certain insurer functions, in Ontario, they are not necessarily licensed or supervised in the same manner as other P&C insurance participants such as insurers, brokers, agents, and adjusters. The activities performed by MGAs on behalf of insurers may lead to outcomes that are contrary to the regulatory requirements supervised by FSRA where customers are not treated fairly unless appropriately overseen. This risk is increased if insurers are not diligent in the selection of the MGAs they do business with or do not have sufficient oversight of the duties they delegate to MGAs.

FSRA's review and key observations

In February 2024, after engaging with various industry associations and stakeholders to gather input, FSRA published its [Supervision Plan for Property & Casualty Insurer - Managing General Agent Outsourcing Relationships](#). This plan outlined FSRA's intent to understand the Ontario P&C MGA market and activities outsourced by insurers. The purpose of this review was to provide insight into the size and scope of the MGA market, and activities outsourced to MGAs in Ontario.

FSRA's key observations from the review are as follows:

- 58 of 218 insurers reviewed outsourced functions to MGAs in 2023, with the most common functions outsourced being:
 - Underwriting
 - Policy issuance and servicing
 - Applications and quotes
 - Collecting premiums
 - Accepting/binding risks for new business and renewals
- 6% of Ontario's total P&C Direct Written Premium (DWP) was generated through MGAs in 2023, with 9 insurers writing more than 50% of their DWP with MGAs

- The top 12 MGAs represent 50% of the market, with 120 MGAs accounting for the remaining share

Data interpretation and next steps

Based on the observations from the review and subsequent stakeholder feedback, the premium flowing through P&C MGAs in Ontario forms a small share of the market. As a principles-based, outcomes-focused regulator that takes a risk-based approach to sector supervision, FSRA will incorporate the remaining focus areas outlined in the supervision plan into its ongoing insurer oversight work, as necessary. While implementing the new Market Conduct P&C Supervisory Framework, planned for publication in 2025, FSRA will incorporate the findings of this report to ensure its future work is targeting the areas most likely to pose consumer harm.

Review approach and data quality

FSRA collected information from 218 licensed P&C insurers¹ through a questionnaire to learn more about the size and scope of the MGA² market in Ontario's P&C insurance sector and to determine the level of risk posed to Ontario consumers. Observations in this report pertain to data for the period between January 1, 2023, and December 31, 2023. The data collected by FSRA was provided directly by the respondents. FSRA did not independently verify the information. FSRA encountered some challenges affecting data quality. These included the following:

- Due to system constraints, some insurers combined personal and commercial lines DWP, with all but one insurer eventually resolving this through manual extraction.
- Subscription policies (see definition in Observation 8) may be overstated as multiple insurers may have reported the same policies.

¹ Licensed P&C insurance companies include those that are licensed to provide P&C insurance, general insurance, and accident and sickness insurance, as well as P&C reinsurers (as reported in P&C Annual Returns).

² See [Appendix A](#) for MGAs in scope for this review

- When the same MGA contracted with multiple insurers, FSRA received conflicting insurer responses regarding ownership and licensing³. As some conflicts could not be resolved, they were excluded from FSRA's observations.

Despite the minor discrepancies in the reported data, FSRA is satisfied that the information presented in this report provides an accurate account of the size and scope of the Ontario P&C MGA market.

Key observations

Observation 1: MGA market presence in Ontario

This section explores the dynamics between P&C insurers and MGAs, shedding light on how these collaborations shaped the sector in 2023.

- 139 MGAs were contracted with at least 1 insurer in Ontario.
- Of the 218 insurers reviewed, 58 insurers delegated underwriting and other insurance functions to 1 or more MGAs for Ontario risks.
- 2,008,203 policies were issued through MGAs.⁴
- P&C DWP outsourced through MGAs totaled \$2,331,791,318.
- On average, insurers had delegated authority arrangements with 5.7 MGAs, with a total of 330 Insurer-MGA arrangements in place.
- On average, MGAs had delegated authority arrangements with 2.4 insurers.

³ While not required to hold a licence in Ontario, some MGAs voluntarily undertake a Broker licence with Registered Insurance Brokers of Ontario (RIBO).

⁴ The total policy count may be overstated, as individual subscription policies could be reported multiple times by different insurers subscribing to the same policy.



139 MGAs

Contracted with at least one or more Insurer to distribute Ontario risks



58 Insurers

Delegated underwriting and other administrative functions to MGAs



2,008,203

Reported Policies issued



\$2,331,791,318

Direct Written Premium written through MGAs for Ontario risks



5.7 MGAs

Average number of MGAs Ontario Insurers delegated authority to



2.4 Insurers

Average number of Insurers Ontario MGAs had received a delegated authority from

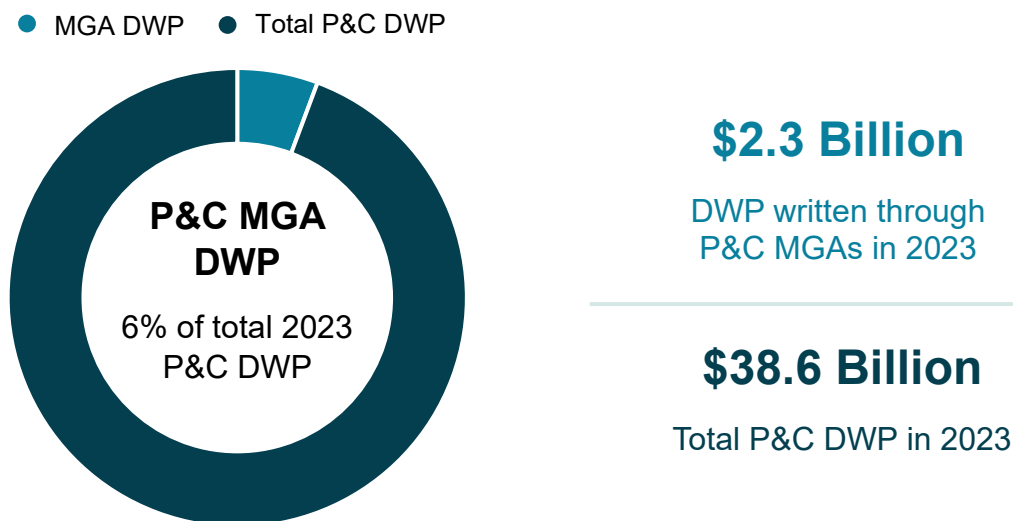
Behind the numbers

The presence of numerous MGAs and delegation from multiple insurers is an indication of a competitive market, benefiting consumers through more choices and tailored coverage solutions.

Observation 2: Ontario P&C Direct Written Premium generated by MGAs

This section analyzes the volume of DWP within Ontario's P&C insurance landscape that flowed through MGAs in 2023.

- Approximately 6% of all Ontario P&C DWP was written through MGAs
- P&C DWP generated through MGAs totaled \$2,331,791,318
- P&C DWP generated through all P&C industry participants approximately totaled \$38,638,761,000⁵



Behind the numbers

While MGA operations represent a fraction of the P&C insurance market, they do have a notable impact on consumers. MGAs bring a competitive advantage with their specialized expertise, allowing insurers to access niche markets and tailor products to meet specific consumer needs. Partnerships between insurers and MGAs drive innovation and provide a

⁵ Source: MSA Research & Ontario Incorporated P&C Financial Returns

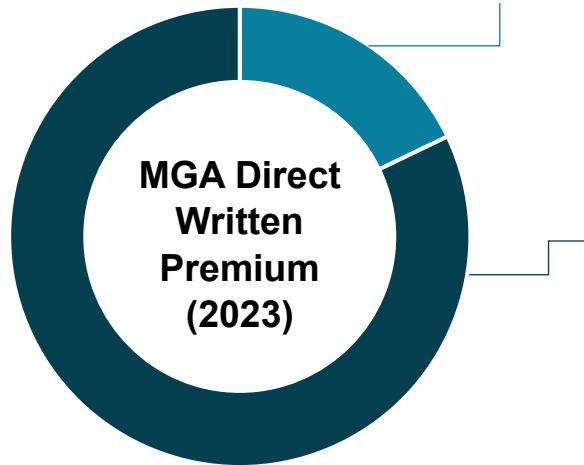
greater selection of insurance products for Ontario consumers. Additionally, MGAs may be quicker to respond to market needs than insurers, showcasing their innovation and agility in adapting to changing demands.

Observation 3: Lines written by MGAs

Preliminary stakeholder consultations suggested that MGAs primarily write commercial lines. This section highlights MGAs involvement in writing both personal and commercial lines on behalf of P&C insurers, including documenting the amount of personal lines premium that flows through MGAs.

- Insurers outsource a sizeable portion of their personal lines business to MGAs. The premiums outsourced by insurers to MGAs totalled \$2,331,791,318, are divided as follows:
 - \$416,564,852 DWP in personal lines (18% of Ontario MGA DWP)
 - \$1,915,226,466 DWP in commercial lines (82% of Ontario MGA DWP)
- Some MGAs underwrite personal lines or commercial lines exclusively and others underwrite both. The premiums written by MGAs can be categorized as follows:
 - 18 MGAs wrote personal lines exclusively
 - 97 MGAs wrote commercial lines exclusively
 - 17 MGAs wrote both personal lines and commercial lines
 - 7 MGAs were reported by insurers as having been contracted during the survey period but did not write any business in 2023

● Personal Lines ● Commercial Lines



Personal Lines

- Policies reported: **1,190,166**
- DWP: **\$416,564,852**
(18% of Total MGA DWP)

Commercial Lines

- Policies reported: **818,037**
- DWP: **\$1,915,226,466**
(82% of Total MGA DWP)

- **18 MGAs** wrote Personal Lines Exclusively
- **97 MGAs** wrote Commercial Lines Exclusively
- **17 MGAs** wrote Both Commercial & Personal Lines
- **7 MGAs** were contracted with Insurers but did not issue any policies in 2023

Behind the numbers

MGAs primarily write commercial lines but also write personal lines on a smaller scale. Personal lines include specialized and/or stand-alone policies. Their focus on commercial lines allows them to leverage their expertise to meet the complex and unique needs of businesses. There are many business sectors with hard-to-place risks, such as energy, manufacturing, transportation, and construction, which provide essential services to consumers.

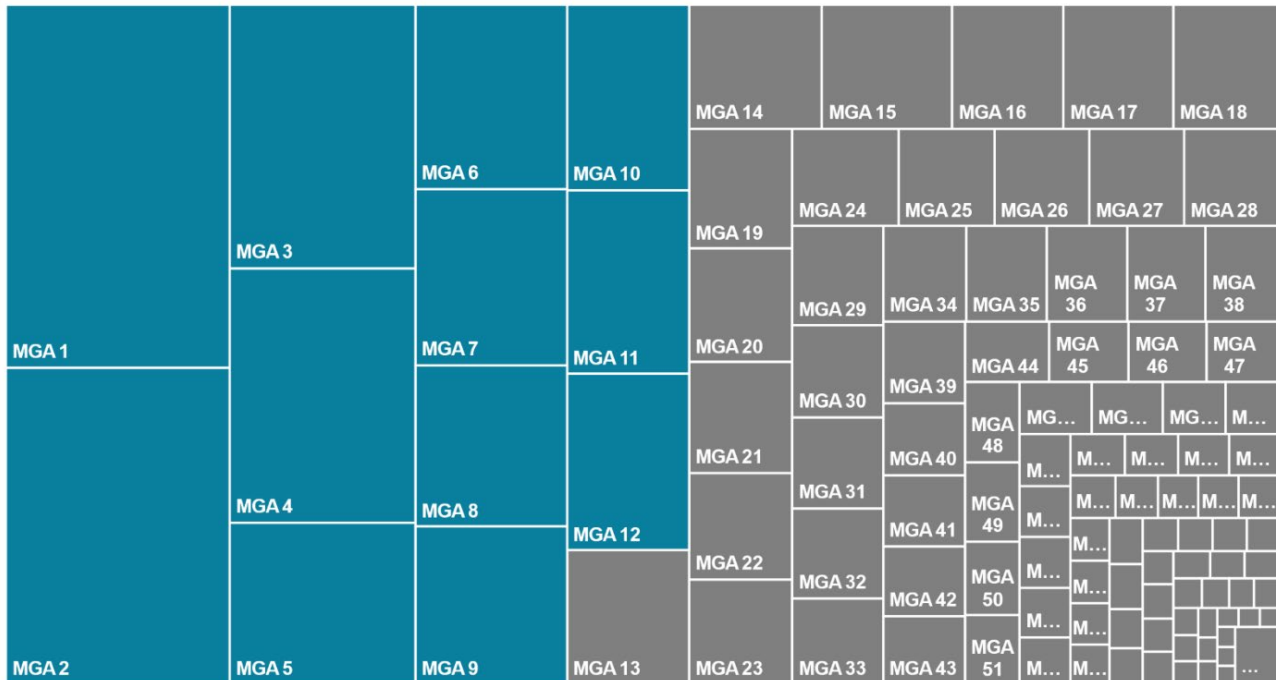
Observation 4: Market share among Ontario MGAs

This section provides an overview of the market distribution among Ontario's MGAs. It highlights the concentration of market share held by leading firms and examines the role of smaller MGAs in the region's competitive landscape.

12 of the 139 MGAs (9%) that are contracted with at least 1 insurer in Ontario account for 50% of the market share.

Ontario MGA Market Share (2023)

- Top 50% ON MGA Market Share
- Bottom 50% ON MGA Market Share



Over 50% of the Ontario MGA Direct Written Premiums in 2023 were written between 12 MGAs (\$1.2 Billion). The remaining \$1.1 Billion was written through 120 MGAs.

Behind the numbers

A striking imbalance in market share is illustrated by the presence of 12 MGAs commanding 50% of the MGA market share by DWP. These MGAs, predominantly writing commercial lines and niche personal lines business, may be better equipped to perform in-house functions that are traditionally carried out by insurers, such as complaint handling and claims adjusting. In contrast, 120 MGAs account for the remaining 50% of the market. Some MGAs may face operational challenges because of resource constraints related to investing in advanced technology, hiring adequate staff and governance practices.

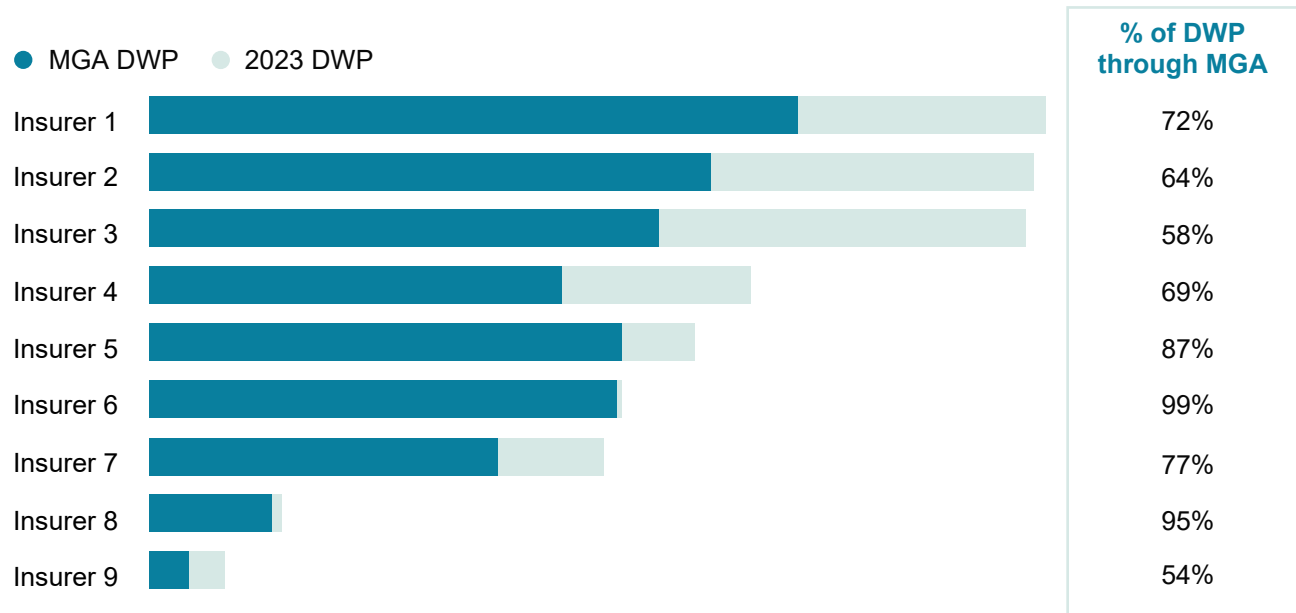
Insurer oversight of MGA relationships, including ongoing due diligence, is essential to ensuring MGAs operate sustainably, meet regulatory requirements and meet fair treatment of customers' expectations. Ongoing insurer oversight is vital to ensure MGAs implement effective controls appropriate to the size and nature of the business delegated to them and to maintain compliance with the Insurance Act.

Observation 5: Volume of business outsourced to MGAs

FSRA sought to understand the volume of business that is outsourced by insurers to MGAs:

- Of the 58 insurers who have outsourcing relationships with MGAs, 9 insurers distribute more than 50% of their total DWP to MGAs.
- The total DWP written through MGAs for these 9 insurers is over \$600 million.

Insurers with over 50% of 2023 DWP written through MGAs



Behind the numbers

With growing reliance on MGAs, insurers are expected to have robust controls and exercise oversight to ensure that the insurer complies with applicable regulatory requirements including fair treatment of consumers when products or services are distributed through MGAs.

If an insurer depends on an MGA for a significant portion of their business, the insurer may face risks if the MGA experiences operational issues which could potentially impact service for the end consumer.

Observation 6: Location of MGAs performing Ontario Insurer functions

This section explores where MGAs contracted by P&C insurers are located and potential associated benefits and risks.

- MGAs working with Ontario insurers are primarily located in Ontario (98).
- There were several MGAs located in British Columbia (21) and Quebec (10).
- There were 7 international MGAs reported.
- 8 MGAs had offices in 2 different provinces/states, as reported by insurers.



Behind the numbers

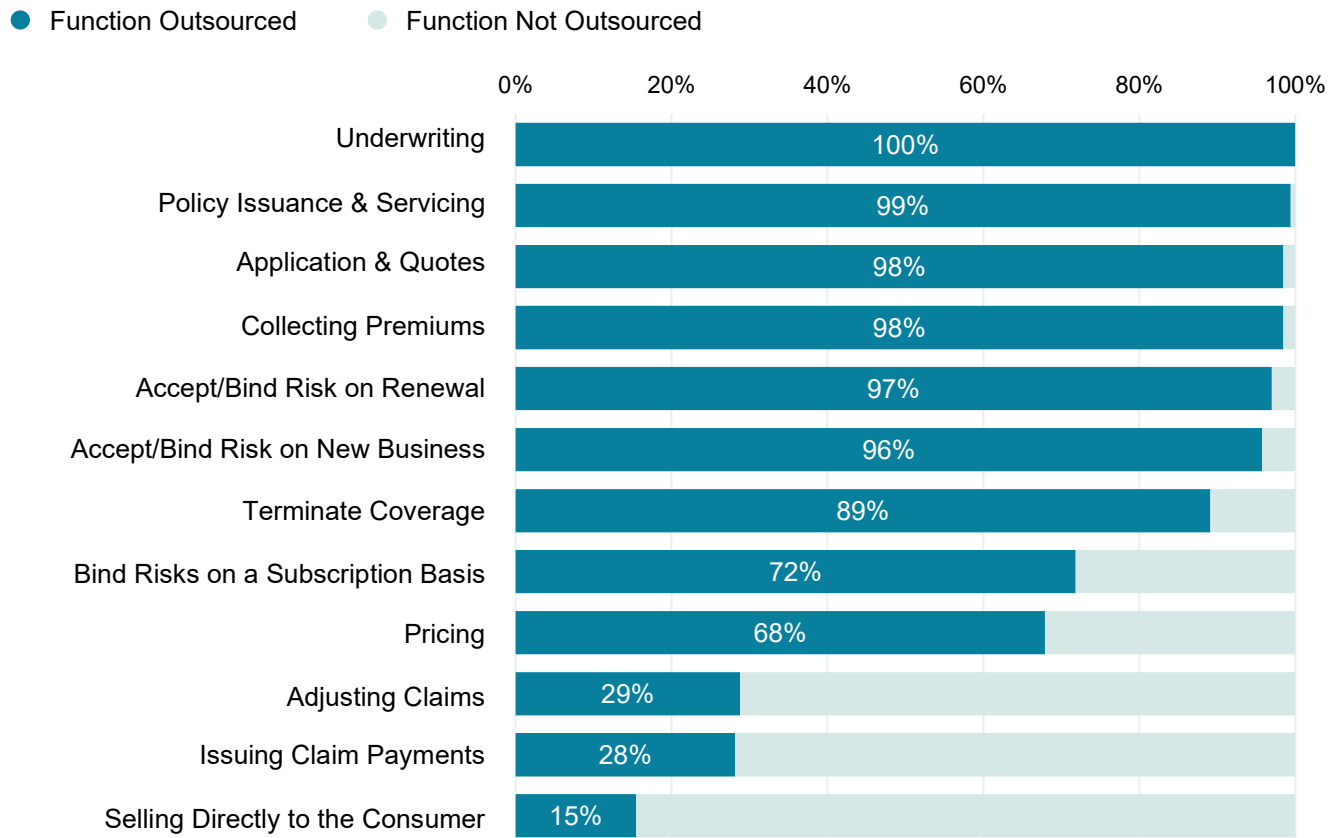
Ontario consumers have access to underwriting expertise of MGAs across Canada and internationally, providing specialized risks and allowing for greater access to coverage.

However, despite these benefits, there are potential challenges that may include maintaining consistent underwriting standards and compliance across provinces, as regulations may differ significantly. These inconsistencies may lead to operational complexities and introduce risks related to governance and oversight. Effective insurer oversight is essential to address these challenges, ensuring that consumers continue to receive reliable services throughout the product life cycle.

Observation 7: Most common functions outsourced to MGAs

This section provides an overview of the functions insurers outsourced to MGAs. Between the 58 Insurers that outsourced to MGAs, there were a total of 330 outsourcing arrangements between insurers and MGAs reported in 2023.

% of Insurer-MGA arrangements where functions are outsourced to MGA



- For the purposes of this review, Insurer functions are described in [Appendix B](#)
- Only MGAs outsourced Underwriting authority were included in the scope of this review

Behind the numbers

Insurers outsourcing functions to MGAs can provide many benefits, including operational efficiency and access to specialized expertise. MGAs often possess in depth knowledge of niche markets, allowing insurers to expand their product offerings.

The range of functions that insurers outsource to MGAs may be broader than the functions outsourced to other intermediaries. Conversely, when outsourcing to intermediaries such as brokers or agents, the focus is primarily on distribution of products, sales and customer service.

As insurers may potentially outsource a greater range of functions to MGAs, insurers are expected to exercise due diligence in selecting their MGA partners. Insurers must maintain proper oversight to ensure consumers receive the same level of service, quality, and protection as they would directly from the insurer.

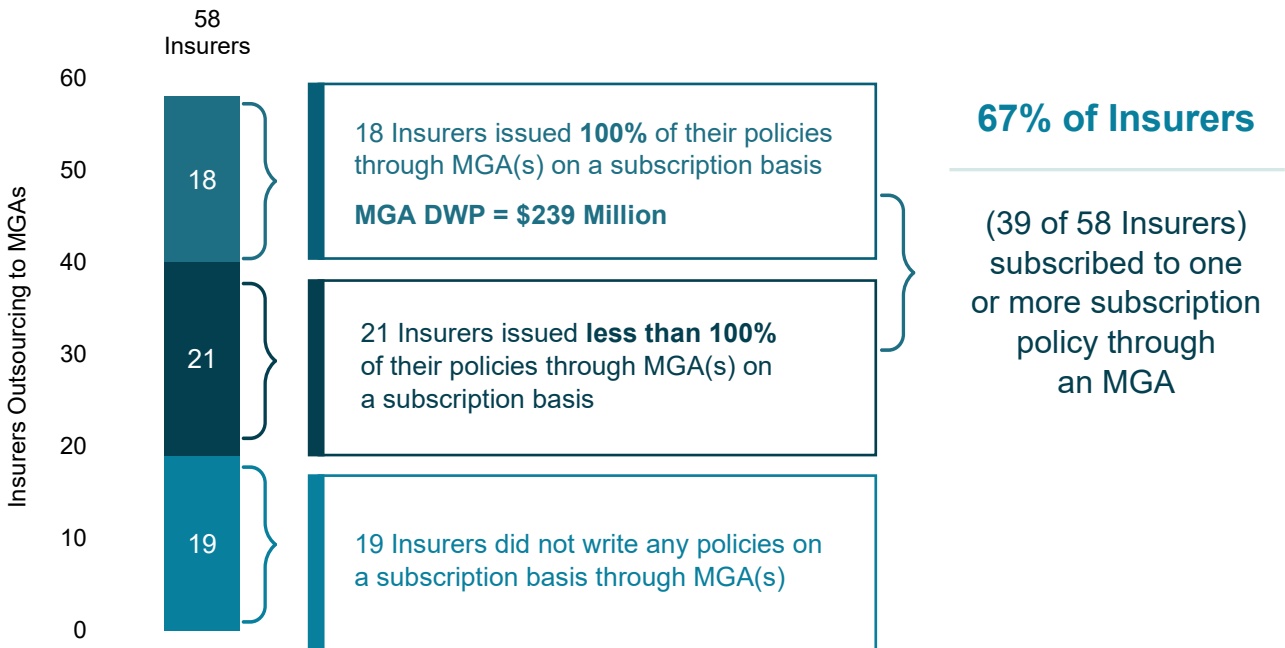
Observation 8: Insurers outsourcing policies through MGAs on a subscription basis

A subscription policy is an insurance policy in which two or more insurers share the risk associated with providing coverage.

- 39 of the 58 insurers who had outsourcing relationships with MGAs outsourced at least 1 policy through an MGA on a subscription basis.
- 18 out of the 58 insurers issued 100% of policies through MGAs on a subscription basis.
- 21 of the 58 insurers issued less than 100% of their policies through MGAs on a subscription basis.
- 19 of the 58 insurers did not issue subscription policies at all.

Note: FSRA was unable to determine the number of unique subscription policies, as multiple insurers may have reported the same subscription policy. In addition, FSRA's review did not include unlicensed insurers⁶, as such, there may be policies not captured in the review.

⁶ Certain provisions in the Insurance Act and the Registered Insurance Broker's Act allow for unlicensed insurers in rare circumstances.



Behind the numbers

Subscription policies allow consumers to obtain coverage for risks that are larger, complex, and hard-to-place. They also allow insurers to spread risk, enabling them to cover risks that they would not have the capacity or appetite to insure on their own. Subscription policies also increase market stability, as the risk is being shared across multiple insurers in the event of an adverse claims experience. Based on the information gathered, the majority of insurers participate in subscription policies issued by MGAs.

Consumer education is important when it comes to subscription policies. Insurers participating in subscription business should have policies and procedures in place to ensure consumers have a full understanding of which entities insure their risk, and the delegation of duties amongst subscribing entities.

Observation 9: MGAs designing products independently of insurers

MGAs can leverage their specialized market expertise to design products that address specialized risks, providing solutions not available through the standard insurance market. This section explores the extent to which MGAs design products independent of insurers.

- 59% of MGAs (82 of 139) contracted with at least one insurer in Ontario to design products independently of insurers
- For the remaining 41% (57 MGAs), MGAs did not design products independently of an insurer. However, some insurers have indicated they responded "No" to this question because the insurer had some input into the design, or the insurer provided final approval of the product.

Behind the numbers

MGAs must navigate the complexities of underwriting and risk assessment while ensuring adequate pricing and proper coverage. It is important that insurers understand the characteristics and potential consumer harms of products designed by MGAs as insurers bear the ultimate responsibility for these products under applicable regulatory requirements.

FSRA's expectations

As outlined in FSRA Approach Guidance No. GR0008APP, [Fair Treatment of Customers in Insurance \(FTC Guidance\)](#), FSRA will use [Guidance Conduct of Insurance Business and Fair Treatment of Consumers](#), adopted jointly by the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO), to supervise the conduct of insurers, and other entities FSRA regulates under the Ontario Insurance Act, with respect to the fair treatment of customers.

As per the FTC Guidance, FSRA expects that outsourcing insurance business functions to MGAs should neither compromise service quality nor impede an insurer's capacity to ensure the fair treatment of customers. It is vital that insurers have adequate controls in place to comply with regulatory requirements concerning the fair treatment of consumers, such as those set out by the [Unfair or Deceptive Acts or Practices Rule](#) under the [Ontario Insurance Act](#), including oversight of functions they choose to outsource. Insurers must comply with the Insurance Act, to avoid any potential regulatory and enforcement actions by FSRA.

The path ahead

As FSRA's review demonstrates, MGA operations have a measurable impact on the P&C insurance industry. A multitude of insurer functions are outsourced to MGAs, which makes it vital for insurers to ensure they have proper oversight of the MGAs they outsource to in order to manage and mitigate potential for consumer harm.

The results from this review show that although MGAs have an important impact on the Ontario market, the volume of premium flowing through MGAs is limited at this time. FSRA will incorporate the appropriate focus areas outlined in the Supervision Plan into its ongoing insurer oversight work, as necessary. This approach will ensure that its future efforts are directed at risks most likely to lead to consumer harm.

FSRA will continue to have ongoing engagement with industry participants and the Non-Auto P&C Insurance Technical Advisory Committee (TAC) and Stakeholder Advisory

Committee (SAC), which are essential to informing FSRA's supervision priorities for the sector going forward.

In addition, FSRA will integrate the information gathered from this review to support future supervision initiatives and may conduct further risk-based reviews and examinations of other key insurance coverages for Ontarians. The outcomes from this review will be incorporated into FSRA's forthcoming P&C Insurance Supervision Framework.

Appendix A – Scope of review

For the purposes of this inquiry, MGAs are defined as intermediaries which act as a duly authorized representative of an insurer, or group of insurers, by engaging in activities on behalf of the insurer which are typically carried out by insurers themselves for underwriting and administering insurance policies and programs, and includes one or more of the following:

- pricing,
- accepting and binding risks,
- terminating coverage,
- policy issuance and servicing,
- collecting premium,
- management of claims, and
- distribution of products through licensed insurance brokers and, in some limited circumstances, through insurance agents.

However, the definition of MGA excludes licensed insurance brokers and insurance agents who exclusively deal directly with the public and have the authority to:

- accept and bind a policy on behalf of an insurer,
- service a policy on behalf of an insurer, and/or
- collect premiums on behalf of an insurer but are not authorized to act on behalf of an insurer in any other capacity.

Also excluded from review were:

- licensed adjusters
- MGAs distributing Life & Health Insurance Products

Appendix B – Description of insurer functions

Insurer Function	Description
Underwriting	Complete risk assessment of the proposed risk to determine its acceptability
Policy Issuance & Servicing	Issue policy documentation and making any additions/deletions or other updates during the policy term
Applications & Quotes	Accept applications for insurance and provide a quote for insurance
Collecting Premiums	Receiving premium funds from either the broker or policyholder
Accept/Bind Risk on Renewal	Commit the insurer to renew the policy of an existing risk
Accept/Bind Risk on New Business	Commit the insurer to a risk that has come in as new business
Terminate Coverage	Terminate coverage on a policy as permitted by legislation and the policy
Bind Risks on a Subscription Basis	Bind the insurer to a risk where, under a single policy, the risk is divided/shared among two or more insurers
Pricing	Determine rates and pricing for insurance products
Adjusting Claims	Investigate, negotiate, or settle a claim made against the policy
Issuing Claims Payments	Issue indemnity (loss) and/or claims expense payments
Selling Directly to the Consumer	MGA sells directly to the intended end consumer who is seeking insurance coverage