

LIVESTREAM

# The New AM Best DUAЕ Performance Assessment is Here!

*Threat or Opportunity For MGAs & MGUs?*

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# Speakers

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# Agenda

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- ✓ **Welcome & Introductions**
- ✓ **Overview: Why are MGAs being assessed**
- ✓ **Panel Q&A Discussion**
- ✓ **Q&A from Audience**
- ✓ **Closing Remarks**



# Why are MGAs being assessed now?

- ✓ MGAs/ MGUs/ DUAEs = \$70+ Billion in GWP
- ✓ MGAs/ MGUs/ DUAEs = Insurance industry's fastest growing segment
- ✓ Past Historical Experience
- ✓ Rapid InsurTech Growth

## Who's pushing for MGAs to be assessed?

- *Insurance Regulators*
- *Reinsurers*
- *Carriers*
- *Insureds*

## Is this Mandatory? Yes or No?

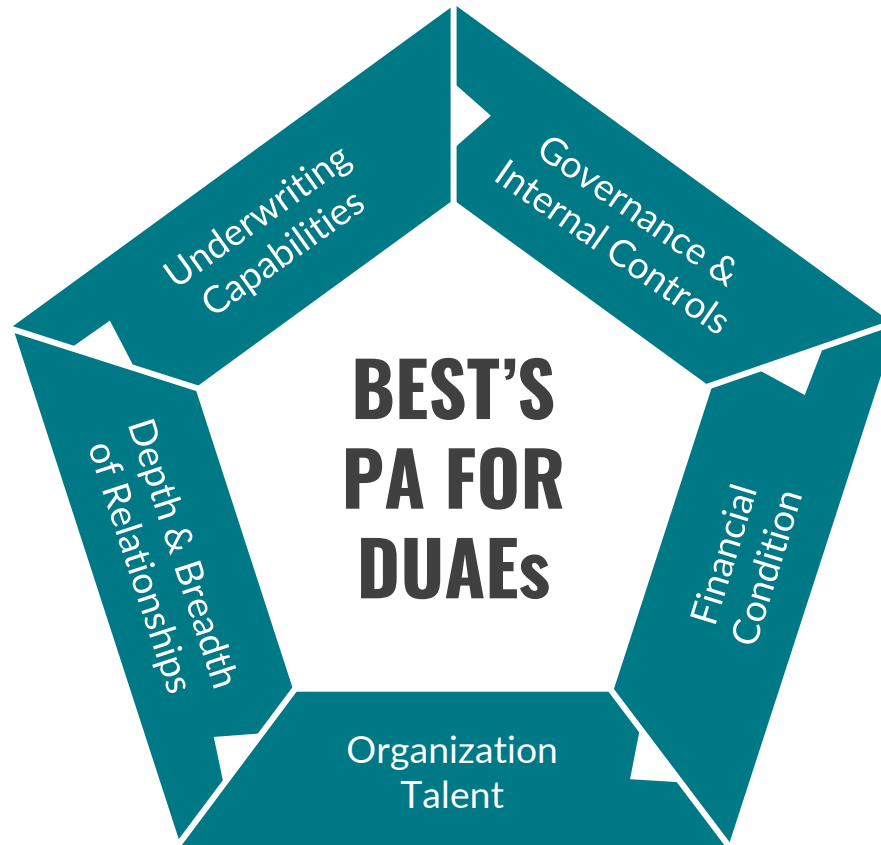


<https://medium.com/balderton/reports-of-insurtechs-death-are-greatly-exaggerated-34b7e26a26f3>

# The MGA / DUAЕ Assessments - The Questions:

## Serviceability to Business Partners

- ✓ *Alignment of interest with partners*
- ✓ *Model adopted*
- ✓ *Viability of Strategy*
- ✓ *Profile, Size, Complexity*
- ✓ *Structure of Operation*



## The Difficult Questions:

- ✓ *Can you show...?*
- ✓ *How do you measure...?*
- ✓ *How many different processes...*
- ✓ *How do you establish tolerances & maintain active control of your systems & processes?*
- ✓ *Where's your documentation?*
- ✓ *What business risks does your company face and how do you handle them?*

**Your organization may be good at any given process...but can you demonstrate that to others?**

# 5 Reasons Why an MGA Should Consider Participating

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1

**External validation of core processes** can provide reassurance to counterparties and streamline the due diligence process for them

2

To be useful, **the process can become more than just "sitting for a test,"** especially if it facilitates discussion and information between you and your reinsurers and carriers.

3

**Greater uniformity across the industry** in terms of risk language, risk management, and processes and procedures is needed.

4

Given large differences in GWP, products, and sophistication of organizations being evaluated, it is clear that **“one sizes fits all” assessment will not work...**and this message must be communicated constantly

5

**Potential for increased uncertainty** due to “signaling” effects of either participating or not



# Q & A

## Reactions to the need



- Do you understand the PA requirements?
- Have any of your carriers or reinsurers expressed opinions on whether you should participate?
- How could the score affect your existing relationships?
- Who benefits the most from this process?
- How can you leverage the assessment to your benefit?





# Q & A

## The Process



- What do you think of the option of making the initial score public or private?
- What concerns you about the assessment?
- Will carriers and reinsurers see beyond the one number?
- Will a low score on some categories open Pandora's box?
- What is your communication plan regarding the process?





# Q & A

## Implications



- What are the upsides and downsides of participating?
  - *Strong scores vs. Weak scores*
  - *Upsides of a weak score...*
- If you are inclined to participate, when should you do so?
  - *Advantages of 2022*
  - *Advantages of 2023*



# Steps to Prepare for the PA

*What should you be doing now?*

1

## ***Improve your company first***

- *Communicate with existing carriers and reinsurers better*
- *Streamline Due Diligence*
- *Other?*

2

## ***Document your competence with quantitative measures & concrete examples***

- *Process maps*
- *Controls*

3

## ***Demonstrate your control of the business!***

# Key Takeaways

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- 1 **Improve** your company first, not just individual LOBs
- 2 **Start** with internal review and then involve carriers, reinsurers, etc.
- 3 **Implement** continuous improvement process
- 4 **Prepare** to show explicitly how you control your business





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# THANK YOU FOR ATTENDING!

Learn More About SRA



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