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A soft market needs discipline not reinvention

For the past couple of years, there's been continued talk of the softening market and how to respond to those conditions. The instinct to 'do something' in this situation is strong, with large parts of the industry looking to adapt their offering in some way and to make it through the harsh winter of a soft market by any means.

But the reality for MGAs is that, if built on a sound footing with a clear and trusted reputation, there's often little need to make sweeping changes and chase short-term positions that could cause longer-term problems. While market conditions are more competitive, sticking to principles and focusing on what has worked is often the best approach for success.

Don't panic on price

Changes to the flow of business will inevitably cause downward pressure on prices, but how MGAs react to this can be telling. It's easy to think about reducing premiums to secure business ahead of competitors, but the consequences of this approach can be damaging.

Reduced rates might help bring a client on board, but it then raises the question of whether effective claims support and service can actually be delivered at that price. It also creates an uncomfortable scenario when the market turns and there is then the need to raise premiums back to sustainable levels. Clients rarely appreciate the deal they had when faced with significant cost increases at renewal.

The key is for an MGA to trust their judgement and worth, and that their clients value their proposition over short-term discounts. Pricing consistently and delivering reliably will always give a more solid long-term relationship.

Commit to great service

This consistency can become a differentiator in itself. Rather than reinventing the firm's proposition for a changing market, delivering high-quality underwriting and timely communication will help make things smoother and easier for clients.

Many clients will also appreciate clarity when it comes to services and sectors too. A firm's niche demonstrates expertise and reliability, and strengthening their product in challenging times will showcase that focus further. However, while soft markets can make diversification into other sectors look attractive to MGAs, it's rarely beneficial for relationships with brokers and providers who are looking for specialists with consistent standards, and who know their space inside out. Chasing soft market volume, especially when it comes from more diverse sources, can also strain a team and introduce new risks around resource, expertise and claims performance.

Effective technology can become an advantage in these conditions too. Particularly, where automation supports faster processing and becomes a useful tool to help maintain efficiency without compromising quality. It's important to get the balance right though, using technology to support experienced people, not replacing their judgment, service and relationships to save costs.

The three R's - rating, reputation and relationships

In challenging markets, the ability to retain clients is of course a great benchmark of an MGA's standing in the market. If clients stay, brokers keep placing business and insurers continue to back the underwriting strategy, competitors have little to challenge beyond price.

A reputation for service, standards and strength in a soft market will take an MGA further than discounting ever will.

That reputation can be reinforced by external validation and assessments that provide another demonstration of the standards the firm keep, and the quality of their service and relationships. Rating agencies such as AM Best will evaluate governance, underwriting, operational quality, risk management and financial discipline among other aspects, offering recognition and credentials that stand out in a crowded sector.

Backing from highly rated insurers is further evidence to brokers that the MGA's proposition is supported by secure capacity, strong relationships and a sustainable approach to the market. That can be particularly valuable in soft market conditions and can also put the MGA in a strong position when the market recovers.

When this is supported by a great team of underwriters, claims handlers and relationship managers, the MGA becomes hard to replace and even harder to replicate.

Use the time for something new

There's actually real potential in a soft market to create greater, longer-term value. Using the time effectively when business volumes are less intense can gives MGAs the chance to introduce some improvements that aren't possible at other times.

One route is to use the time to upskill the team, complete some key training, or onboard new members of staff. Refining processes and adapting internal systems can also help the firm get ahead before the next phase of the market cycle. It's also a good time to commit to marketing and relationship-building efforts, or to complete valuable research and thought-leadership insights that will inform key audiences and enhance the firm's position as a sector expert.

Soft markets can also be a great time for something more substantial – the launch of a new targeted product or service for clients. Piloting new concepts can give more time to focus on getting things right, promotion and getting feedback from clients and contacts. This way, when the market changes, the service is already up and running effectively.

MGAs with a strong proposition have the opportunity to avoid making drastic changes and to chase the market at the wrong time. Staying true to their long-term model and putting faith in the expertise gained and the relationships developed can help them emerge stronger. Soft markets don't last long, but a reputation lasts forever.