

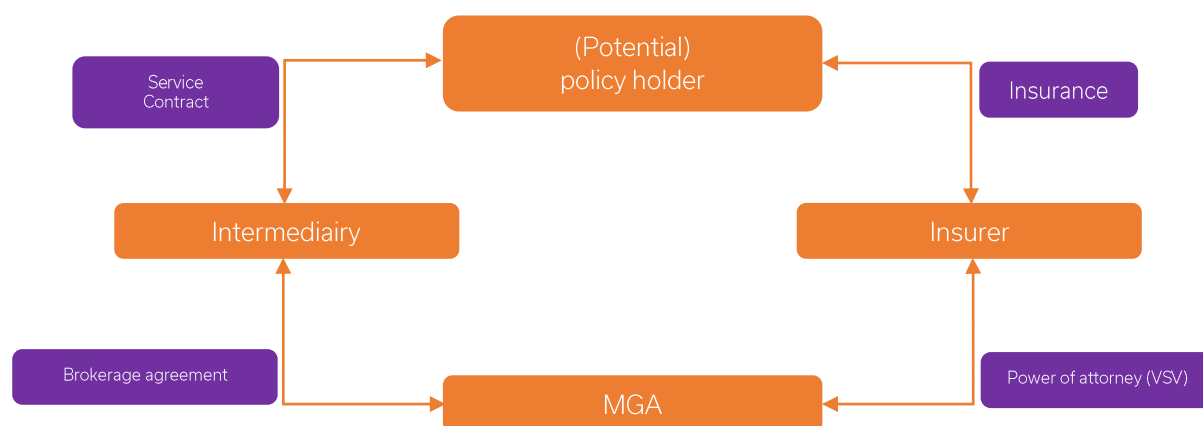
The MGA in The Netherlands

What is an MGA?

The Managing General Agent (MGA) is a specialized type of insurance agent/broker who, unlike traditional agents/brokers, is vested with underwriting authority by one or more insurer(s). Accordingly, MGAs perform certain activities ordinarily handled only by insurers, such as binding coverage, underwriting and pricing, appointing retail agents (within a particular area) and settling claims (within permitted boundaries).

The authority to perform these functions is provided by the insurer. The MGA is granted the authority to perform specific functions all of which are typically carried out by insurers. The financial risks of these functions remain with the insurer. The MGA has its own license from the Authority Financial Markets (AFM). And its power of attorney is registered on the website of the AFM.

The MGA is a financial service provider with significant added value – its power of attorney(s). This enables him a better, more comprehensive and often faster service.



What is the difference between an MGA and an Insurance Company?

An MGA and an Insurer denote mostly the same kind of business. The major difference is that the MGA acts on behalf of and at the expense of the Insurer. Insurers are bound by what the MGA has agreed with the insured. Even when the MGA acted outside the permitted boundaries. (Of course the insurer has the option to hold the MGA liable for such an action).

How do I issue an MGA a power of attorney?

According to regulation (article 4:79 sub 1 Wet op financieel toezicht), the power of attorney must be in writing and has to contain the "Modelvolmacht", as it is issued by the Minister of Finance. The power of attorney is a separate document and issuing this document is a unilateral handling.

A template agreement (Voorbeeld Samenwerkingsovereenkomst Volmachten: VSV) is available for issuing a power of attorney to an MGA. This template is developed in collaboration with the trade association of Insurers (Verbond van Verzekeraars) and the Dutch Association of Authorised MGA's (NVGA). It is recommended to use the VSV in order to comply with all Dutch regulations.

Power of attorney by an insurer is considered outsourcing

When an insurer provides a power of attorney to an MGA, the Dutch regulator considers this as outsourcing. The guidelines for this outsourcing to an MGA are stated in the [Good Practice](#) of the Dutch National Bank (DNB). The insurer (and therefore also the MGA) is bound by this regulation.

Can the MGA also act as an insurance agent?

Yes. The own proxy company is then used to support the consultancy and intermediary activities. However, the activities of both companies take place in separate legal entities. This is required by bounding regulation for both MGAs and Insurers and is called: [Protocol Volmacht](#). There are also MGAs working with multiple intermediaries, from a few tens to many hundreds.

How do I determine if a financial service provider is authorised to act as an MGA?

The best reference is the register of financial service providers you can find [here](#). In this specific register, it is listed which insurers have granted the power of attorney to the MGA and secondly within which branches (life, non-life etc) the MGA is authorised to provide services. Other means of information are the policy, the letterhead or website. You can also consult the list of members of the Dutch Association of Authorised MGA's (NVGA) which can be found [here](#).

How do you monitor an MGA?

Under the supervision of the DNB a system of self-regulation is developed. Part of this system is a program called "Werkprogramma Risicobeheersing Volmachten" (WRV). This is a yearly returning assessment where the MGA provides information about its processes and governance model. The insurer and a registered accountant review this program. In addition

to this program an insurer conducts regular audits on the key processes of the outsourcing.

What are the advantages of working with an MGA?

Speed, Cost efficient and innovation;

- The MGA handles accepts and processes insurance applications completely independently (within permitted boundaries). Which is faster and more efficient.
- MGAs are by nature quick to adapt to change and take advantage of new opportunities.
- Insurers can reduce the risk of new markets by using the niche expertise of the MGA.
- MGAs are often smaller businesses than insurers, which allows them to stay agile and responsive.
- Access to market information; An MGA often works with multiple insurers and an extensive distribution network. Therefore, they have an excellent view on the market trends. This can be of specific interest for insurers abroad as these insurers often fail to have a strong local market network.

And in case of claims?

Claims handling is generally part of the power of attorney. However, there are some restrictions i.e. Personal Injury claims, claims above a certain amount, in case of a suspicion of fraud, etc. The specific exceptions are stated in the VSV.

Does the MGA also provide customization?

Whether it concerns insuring a car or fleet, a residential house or a factory complex, an individual or group health insurance, the MGA is a professional who can deliver the most suitable financial product. In addition to standard financial products from banks and insurers, the MGA can also provide you with customized solutions in the form of its own proxy product. He can also price or construct the conditions of a standard company product, of course in consultation with the insurer.

NVGA

MGAs can join the NVGA. The NVGA is a proactive organisation that develops and initiates sector-oriented matters and provides information to MGAs about regulation, current topics and developments regarding insurances. The NVGA represents the interests of its members and discusses topics that concern all parties with insurers and its association, Verbond van Verzekeraars.