

# You want to become a Managing General Agent?

March 2024

**Being a Managing General Agent (MGA) means acting as an insurance intermediary on behalf of an insurer, but unlike other intermediaries, MGAs are often granted binding underwriting authority from the insurer. It can be an intermediate route to becoming a fully fledged insurer.**

**Anyone that wants to be an MGA, must be either be directly authorised to undertake intermediation activities by the Financial Conduct Authority (FCA), or become an Appointed Representative of an FCA authorised firm with the relevant permissions. In either case you will need to ensure you are compliant with the FCA's requirements.**

## *Threshold conditions*

To become a directly authorised MGA, the FCA will require you to meet their threshold conditions. These are the minimum requirements firms must meet in order to be permitted to carry on the regulated activities in which they engage and are designed to promote safety and soundness.

*In broad terms, the threshold conditions will require you to:*

- Have appropriate financial and non-financial resources to monitor and manage risk,
- Be fit and proper with suitable governance, strategy and business model,
- Conduct your business prudently and be capable of being effectively supervised by the FCA.

## *Setting yourselves up for success*

While achieving authorised status is a critical dependency for you to launch your new MGA, at Sicsic Advisory, we firmly believe it is important to think about your application in the context of your longer-term desire for a successful business that minimises regulatory risk. Becoming an MGA isn't simply about completing some regulatory application forms. It's about setting up your business in the right way and being able to demonstrate this to the FCA, in your regulatory application.

*To set yourselves up for a successful regulatory application, and ongoing life as a regulated firm, you will need to be able to demonstrate you have:*

- The ability to meet the regulatory threshold conditions and a clear understanding of how wider the FCA's regulations will apply to you.
  - A clear understanding of your customer and their needs.
  - A clear product and service proposition with a pricing structure which demonstrates fair value for customers.
  - The ability to ensure and demonstrate customer understanding of your products/service.
  - An operational model that supports customers in their different transactions and throughout the whole of their journey with you.
  - Appropriate corporate governance and senior management arrangements.
  - Fit for purpose audit, risk and compliance management frameworks.
  - A financial model that demonstrates a sustainable business.
  - A well-structured organisation of appropriately skilled and experienced people.
- Evidence of these will form the bedrock of your regulatory application.

## Major regulatory issues facing MGAs



*There are a number of issues that are of key interest to the regulator in the MGA sector which will need to be carefully considered as part of your application:*

- Applicants will need to demonstrate that their business model and practices will be aligned with the requirements of the Consumer Duty.
- Whether or not the applicant is involved in personal & commercial lines or wholesale broker market, the regulator will be scrutinising price and value and compliance with PROD 4 requirements. Particular areas of concern will be around the impact of the distribution chain on value, including the impact of add-ons and premium finance.
- MGA applicants are likely to be quizzed on the clarity of responsibilities between them and other parties in the distribution chain and will want to ensure that these are clearly documented.
- The FCA will be interested in the applicant's income generation and whether it can justify its remuneration for the services provided and whether any conflict of interest is appropriately managed.
- Applicants in personal and commercial lines will need to understand whether there are any pockets of customers that may not be getting fair value. They will also need to be able to justify the quality of their customer support, including of vulnerable customers.
- Applicants in the wholesale market will need to articulate robust controls against financial crime and non-financial misconduct.
- Applicants will need to justify their financial resilience; there may be particular scrutiny of the risks of firms where there is significant debt servicing required in the group.
- The FCA will be interested in any proposed oversight of Appointed Representatives to the extent this is part of the applicant's model.
- The FCA will be interested in the applicant's operational resilience including the potential loss of sensitive risk data.
- Intermediaries involved in specific areas of the market such as multi-occupancy buildings insurance or cyber may get additional scrutiny.

## Your regulatory application



Your regulatory application will include the FCA's application forms and a detailed regulatory business plan and will be submitted via the FCA's online Connect system.



Submitting good quality materials will significantly improve your experience of the application process - enabling the regulator to respond to you as quickly as possible and establishing the foundations for a good ongoing journey as a regulated firm.

## How Sicsic Advisory can help

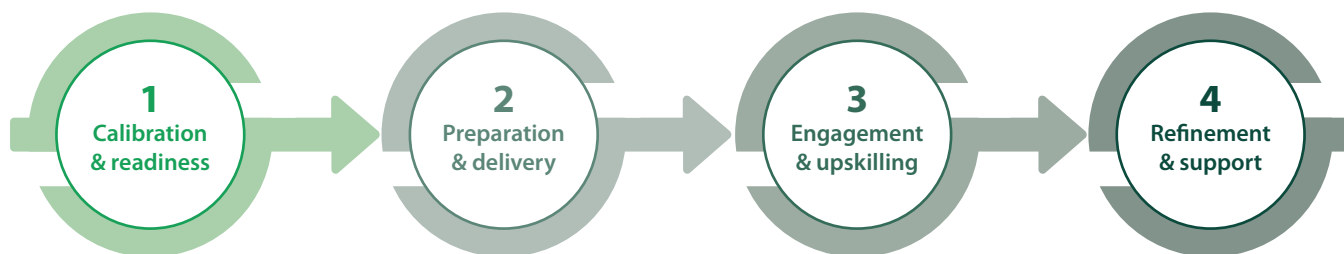


**Creating a new MGA business and navigating and meeting all the regulatory needs can be complex. Sicsic Advisory can help by working with you to:**

- Decide if being directly authorised as an MGA is the right model to meet your business objectives.
- Identify what you need to do to set up your business in a way that meets your needs, as well as those of the regulator, including the capability and resources you will need for day one, and beyond.
- Define the most suitable operating model for your business.
- Set up your new MGA project for successful delivery – ensuring the activities and effort are scaled and calibrated to your needs.
- Navigate regulatory processes and facilitate constructive relationships with regulator.
- Support the implementation of your business and operational models in accordance with your needs.

## How we structure our engagements

At Sicsic Advisory, we typically structure our client engagements over four phases with the expectation that, over the course of the phases, your need for our support will reduce in line with the increasing capability of your business.



Sicsic Advisory support

Client resources

	Phase	How we can help	What this will give you
1	<b>Calibration &amp; readiness</b>	We will work with you to understand what you want to achieve and then apply our maturity model to understand where you are now and what you will need to do, and prioritise to get to where you need.	A clear understanding of your business maturity and the nature and scale of change needed to enable you to make a successful regulatory application and run your regulated business. This will enable you to make an informed decision as to if, when, and how you want to proceed.
	<b>Mobilisation decision gateway</b>	If you want to proceed, we can support you to make your internal business case (if required) and identify the right resource model to prepare your regulatory application and support the delivery of the change that will ensure you are ready, willing, and organised.	Additional expertise, if required, to help make the case for change and confidence that you have access to the resources required for delivery.
2	<b>Preparation &amp; delivery</b> <i>Getting 'ready, willing and organised'</i>	<b>We offer three levels of support, depending on your needs:</b> <b>High</b> - Full drafting support for most documents required for the regulatory application plus preparation/upskilling of key individuals. <b>Medium</b> - While you 'hold the pen', we support and guide you, providing review and quality assurance plus coaching/guidance to key individuals. <b>Low</b> - Review of, and challenge to, the firm's application, business readiness and regulatory engagement plus ad hoc support on specific areas of need as required.	Access to skills and capability to enable you to create a complete application, and for those accountable for signing off your application before submission, to be confident they can demonstrate the firm's readiness, willingness, and organisation.
3	<b>Engagement &amp; upskilling</b>	We can support how you engage with and respond to the regulator while they review your application. This may include helping you ensure your answers to any follow-up questions are answered in an appropriate and timely way, as well as preparing key individuals to meet with the regulators through mock interviews and feedback. We can also help you to ensure your teams are prepared for what they will need to do/do differently once the firm is authorised.	Confidence that your post-application interactions facilitate regulatory decision-making, through the completeness and professionalism of your responses and presentation and assurance that the business will be ready, according to plan, to go live as a regulated business.
4	<b>Refinement &amp; support</b>	Once the regulator has indicated they are 'minded to approve', we can help you to meet any go-live conditions required before launch. We know that, even after the regulator has confirmed your authorisation, support can still be needed as your business embeds new ways of working. We can support you during this transition period, and on an ongoing basis as required.	Confidence that we are there if you need additional support – whether ad hoc or as a retained service – to help you with your ongoing risk and compliance management obligations.

## Why work with Sicsic Advisory?

Our team has worked on a wide range of authorisation projects, and our senior consultants take the time to get to know your businesses' strengths and challenges and work with you to ensure your specific authorisation needs are met, helping you build on your existing capabilities and avoid common pitfalls.



Sicsic Advisory has experienced and approachable consultants who speak your language.



We are experienced in working on both sides of the regulatory fence – within the regulators, as senior practitioners and consultants in regulated firms, and with firms applying for regulatory authorisation.



We have experience across a range of sectors, including funeral plans, as well as capability across the disciplines which matter to the regulators. This means we have both breadth and depth of knowledge which can be applied to your specific business needs.



We are outcome focused – our agenda is to support you to set yourselves up for ongoing success and creating a model that is capable of ongoing regulatory compliance and flexibility.

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