EXECUTIVE INSIGHTS

P&C Commercial Lines Distribution Reinvented: Why Legacy Strategies Won't Win the Next Cycle

The era of easy growth has ended. For years, distribution benefited from hard-market pricing, cheap capital and a fragmented competitive landscape that rewarded expansion over efficiency. Carriers leaned on external distribution partners to reduce in-house underwriting costs and extend their reach, while managing general agents (MGAs) emerged as engines for specialty growth.

Now, the next stage in the cycle has arrived. Global insurance pricing fell 4% in Q3 2025 alone,[1] a clear signal that market tailwinds have turned into headwinds.

With prices softening and high-quality M&A targets drying up, distributors must now earn growth through operational excellence, integration and differentiation. The industry is moving from adding volume to engineering value.

Yet as players pivot toward value creation, they must do so against a more complex and competitive backdrop.

The shifting landscape: Complications on the horizon

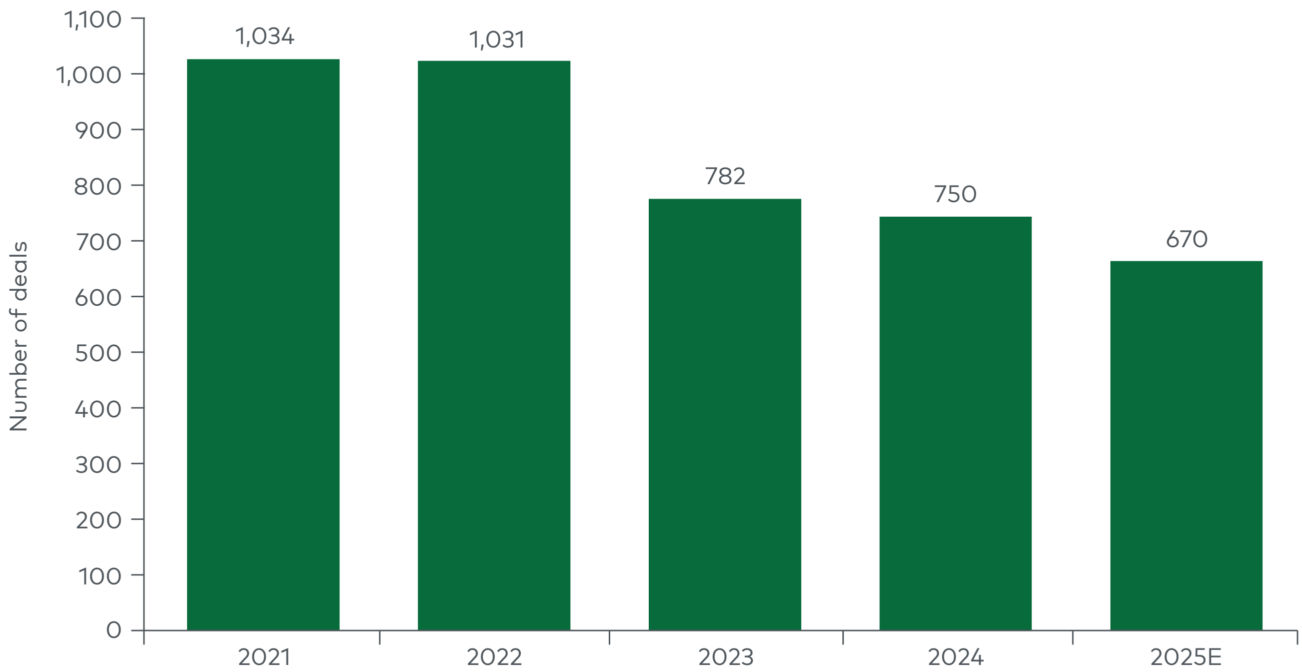
Softer pricing, higher interest rates and a shrinking pool of high-quality acquisition targets are forcing property and casualty (P&C) distributors to pivot from growth-by-deal to growth-by-performance. After years of frenzied M&A activity, the market has entered a period of consolidation fatigue (see Figure 1).

As rate increases are no longer the main driver for revenue growth, distributors looking to grow must elevate service, embed advisory capabilities and align with evolving client needs.

This shift reverberates beyond brokers. Carriers are under pressure to offer seamless digital connectivity, consistent underwriting appetite and faster decision-making to maintain their preferred partner status. MGAs must now prove their worth through underwriting (UW) profitability, real-time data visibility into UW/claims (beyond a periodic bordereau) and risk services that extend beyond placement.

Figure 1

Announced insurance agent/broker deals (US and Canada)



Source: L.E.K. research and analysis

SME quote: "The distribution game is fundamentally changing. Legacy levers won't deliver as effectively in this next era, and the window to close operational excellence gaps is closing fast. Distributors that fail to make the strategic and operating model shifts today won't have a seat at the table tomorrow."

For brokers, MGAs and carriers, staying relevant now depends on modernization, but this is no longer just about technology. It's about driving measurable value. Those that convert modernization into tangible outcomes for clients and carriers will set the new standard of performance.

Value creation as the differentiator

While value creation is the clear imperative, achieving it is far from easy. L.E.K. Consulting is working with clients across the insurance industry to solve this challenge.

Distributors must focus efforts across three key dimensions where that transformation is already taking shape:

Strategic imperative	What distribution looks like now	What "good" looks like in the next cycle	Market examples
Differentiate offerings	Product-driven	Solution driven	**Brown and Browns's Dealer Service (BBDS)** team works with vehicle dealerships to build customized finance and insurance (F&I) and commercial insurance programs. The BBDS team will structure support that helps the dealership increase upfront F&I revenue, enhance the customer ownership experience and create downstream value. Alongside that, they provide commercial risk protection (garage keeper liability, open lot, cyber, workers' compensation) and ongoing training/compliance support, so their offering focuses on solving business performance and risk management issues — not just providing insurance coverage.
Improve client-centric models	Relationship-based; limited client touchpoints	Ongoing, data-driven insights; proactive risk management support	Marsh Canada's **FleetConnect** program, developed with **Geotab** and **Intact Insurance**, uses telematics data to give fleet operators a clearer picture of their real-time risk exposure. Instead of relying on annual reviews or loss reports, clients receive continuous feedback on driver behavior and collision risk, allowing them to address safety issues as they emerge. The program ties these insights to insurance terms and coaching support, making risk management an ongoing, data-informed process rather than a reactive one.

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Drive operational excellence	Decentralized, stand-alone acquisition model with siloed operations, systems and processes	Tech-driven processes and integrated systems for seamless experience for both internal and external partners	Trucordia, formerly **PCF Insurance Services**, has shifted from a rapid M&A expansion — completing more than **225 agency acquisitions between 2018 and 2022** — to a unified "one company" operating model focused on **operational integration and shared systems.** The firm has centralized key functions such as technology, accounting, business intelligence, legal and human resources (including its enterprise agreement with **AgentSync** to automate producer onboarding and compliance) to align its national network and eliminate silos.

SME quote: "The competitive environment has changed. Distributors aren't just facing macroeconomic headwinds — they're up against competitors engineered for integration and operational excellence, while serving customers who are smarter and more demanding than ever."

In addition to improving underwriting quality and technology integration, MGAs must improve visibility into book performance, which can often feel like a black box. MGA clients also want claims analytics to understand claims trends, benchmark against peers and manage premiums.

For carriers, value creation increasingly depends on choosing distribution partners that offer both scale and insight — those with access to clean data, niche specialization and integrated risk solutions.

6 imperatives to compete and win

Winning in the next cycle will require a reset in both strategy and execution. Success won't come from incremental change but from executing a focused set of strategic shifts.

We have identified six imperatives that will define the next era of commercial P&C distribution.

1. Shift from consolidation to integration

Brokers and MGAs must shift focus from targeting the next investment to extracting the value from past acquisitions. Private equity sponsors and strategic acquirers are prioritizing EBITDA improvement through synergy realization and platform integration. Distributors should aim to unify systems and data infrastructure across entities, harmonize compensation, and optimize market access.

Carriers must now extract value from their web of MGA and broker relationships. While MGAs want to maintain flexibility with underwriting and pricing, carriers look to control risk and maintain reliable returns. Carriers should leverage near real-time data (vs. monthly/quarterly reports) that enables them to spot emerging trends and resolve issues with MGAs before losses mount.

2. Choose your lane and own it

Distributors should shift from being generalists to serving as specialists. In mature markets, distributors must look to exploit and sharpen expertise, which can include geography, client size and client segment. Next-generation distributors won't try to be everything to everyone. Instead, they will identify core strengths and build upon them.

The key to specialization is differentiating. Determine whether your company competes best on differentiated products, customer excellence or operational efficiency. Distributors that try to compete on too many fronts will fail against market specialists and niche providers.

Successful specialization requires a clear-eyed assessment of existing strengths and how to deploy them effectively. For example, one broker used a locally driven, relationship-based model to dominate in the middle market through deep client loyalty. By contrast, some high-touch, bulge-bracket players have struggled to move down-market, where midsize clients have very different needs, and far less appetite or budget for complex service models.

For carriers, developing a segmented distribution strategy will be essential. A well-defined approach should clearly delineate which risks are best served through delegated authority arrangements (e.g., MGAs) and which are more effectively handled in-house or through digital direct-to-client channels.

3. Leverage scale in fee negotiations

In the recent hard market, higher rates, restrictive underwriting conditions and limited capacity forced distributors to broaden their carrier relationships. Rather than relying solely on preferred markets, brokers had to engage a wider range of carriers to secure adequate coverage for clients. This approach prioritized availability over alignment to meet demand.

Now the balance of power has shifted back toward distribution. As carriers return to growth mode and expand capacity, brokers can optimize their placement strategies. Brokers should now focus on capturing contingent income opportunities, particularly those linked to premium volume.

Acquisitions frequently leave brokers with multiple trade agreements across the same trading partners. Once centralized, that volume shifts to bargaining power that improves terms and rates.

MGAs that grew and developed profitable books through innovation and calculated risk-taking can now leverage their supplier power with both carriers and reinsurers that seek to grow in a more competitive environment. This can include negotiating better fronting terms, quota shares and deals. Carriers must defend margins by tiering partners based on performance, tightening governance over delegated authority and investing in automation to reduce servicing costs. Shifting toward outcome-based compensation and building low-cost digital or embedded channels can further offset rising distribution expenses while preserving underwriting control.

4. Deliver risk solutions, not just policies and coverage

Insurance buyers demand more than policy placement; they want a partner that will help manage and mitigate risk. Brokers and MGAs must integrate policies with operational risk tools and advice. Risk analytics tied to policies provide a servicing advantage over generalist distributors. More important, these integrated tools provide distributors with valuable risk and claims data that can inform their own product design and enable more accurate pricing.

To meet rising customer expectations, distributors must actively collaborate with managed service providers, insurtechs, and data platforms to gain richer insights and deliver more holistic solutions. These partnerships unlock new avenues for distributors to bring innovative offerings — such as cybersecurity monitoring, Internet of Things-enabled alerts, telematics-driven products and supply chain analytics — to market.

Carriers can co-invest or white-label such offerings, empowering their distribution partners to differentiate at the point of sale while deepening client engagement. In doing so, carriers move from being passive capacity providers to becoming active solution enablers, reinforcing retention, improving underwriting performance and creating value beyond price.

5. Evolve from data points to market value

Players that can move from data collection to data-driven action will set themselves apart in the market. But it's not just about owning and activating data; brokers, MGAs, and carriers that build or own the infrastructure to aggregate client data will gain a larger share of the value chain. How? This infrastructure empowers seamless connectivity across the ecosystem, the integration of advisory tools and smarter UW decisions. This can fundamentally shift current client ownership dynamics.

A connectivity hub can automate paper-based submissions and instantly compare quotes across carriers, reducing turnaround time from days to hours and giving clients greater visibility into the process. Additionally, advanced advisory tools can incorporate disaster scenario modeling into client reports, moving beyond simple coverage demonstration to identify potential exposures and recommend proactive risk-mitigation strategies. For carriers, ingesting and leveraging distribution data will allow them to better manage risk and reduce volatility.

6. Double down on digital, or risk irrelevance

Ignoring the digital capabilities of newcomers, including rapid product launches and API-enabled architecture, will result in a diminished spot on the value chain. Distributors must invest in digital to provide the proactive service and improved client experience that insureds demand. Small commercial carriers can already offer digital quoting and policy management and can better identify cross-sell opportunities than larger distributors.

> Client quote: "Digital tools aren't optional. They determine whether we retain and grow clients or lose them to more nimble competitors."

Navigating the next horizon

Next-gen leaders will engineer advantage through sharper focus, stronger integration and smarter data orchestration. While market tailwinds have faded, opportunity hasn't. Brokers, MGAs and carriers that start the transformation today through system integration, digitized processes and aligning everything to client outcomes will win the next cycle. Change is coming. Will you lead it?

For more information, please **contact us**.

Endnote

[1]InsuranceInsiderUS.com, "Global insurance pricing falls 4% over Q3: Marsh." https://www.insuranceinsiderus.com/article/2fht83n5vu44f0uma3uo0/lines-of-business/commercial-lines/global-insurance-pricing-falls-4-over-q3-marsh?zephr_sso_ott=wigJQQ

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