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Coffee with **COVER**

Growing the *UMA* market



How do you expect the UMA model to change over the next five years?

UMAs are under pressure to provide value to those brokers that place business through them. With loss ratios under extreme pressure, UMAs are finding it difficult to buy business at cheap rates and still manage to turn a profit. To remain viable they have to offer brokers something that the insurer cannot provide either by way of exceptional service or expertise. I believe that only the best will survive.

From an insurer point of view, at what stage do you see the need for a UMA?

UMAs essentially takes the place of a specialist branch within an insurance company. They provide expertise, technical assistance and areas of business where a general broker has little knowledge. It is often difficult to find experienced staff in these specialist areas and by giving the principal in a UMA ownership in his own business, you can attract and keep that expertise.

Is there not an argument for amalgamation where specialists are to niche?

Yes and no – there is always an economy of scale in any business but, where you are looking at really specialist areas, there can be minimal saving on staff costs when amalgamating them, so the best one can do as a cost saving exercise, is to create an integrated hub for accounting and human resources. Claims and underwriting would each require their specialists. Staffing remains a major cost centre of any business.

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Sharon Paterson, CEO,
Infiniti Insurance





"For a general UMA to survive, they have to provide brokers with something that they cannot get from an insurer."

There is a lot of speculation regarding the future of "general" UMA's. What is your view on that?

For a general UMA to survive, they have to provide brokers with something that they cannot get from an insurer. They have to focus either on a niche area and become the best in the market in that area, or they have to leverage of the lack of service and poor rates that smaller brokers often perceive that they get from large insurers. If UMAs can provide smaller brokers with access to facilities that gives the same flexibility experienced with larger brokers, and if they can give the smaller broker access to skills and to senior management that they don't get from insurers, this will go some way in assisting brokers to attract good business. A general UMA has to carefully select the broker that they deal with, to ensure that the broker is not selecting against them and that they are acquiring the broker as a first rather than a last choice of carrier. They have to earn their fee, to make it viable for the broker to partner with them.

What is your view on the comments that brokers might be able to charge for advice on top of the normal fees allowed through binder agreements?

A broker, as the representative of the client, has the responsibility to ensure that his client is correctly and optimally insured rather than just to sell a product. This involves a detailed

analysis of the needs of the client and being sure that the client can comply with policy terms and conditions. Just as we are prepared to pay a good attorney or accountant more for their services, so should we be prepared to pay more for the services of a professional insurance adviser.

Infiniti has a number of UMAs. Do you expect that number to grow and, if so, where do you see possible growth?

Yes, I do see a growing number of UMA partnering with Infiniti. I am always on the lookout for good business and new opportunities so watch this space

You have started up a reinsurance business recently. How does this development impact your UMA partners, if at all?

Our emphasis on the reinsurance side is targeted at the rest of Africa rather than within South Africa. Clearly this could open expansion opportunities for our UMA partners into Africa. We are always on the lookout for new opportunities for our partners.

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