



UMAs HAVE MUCH TO OFFER BROKERS

There was a time when the broker's role was predominantly to find the best rates for clients; but while rates are still key, today's broker plays a far broader and more significant role. And, along with the evolution of the broker has come the client's understanding that lower rates can be a short-term win. In reality, there are far more important issues at stake when it comes to risk management and risk financing.

"Brokers are now expected to offer clients sound business advice along with the optimal price for the risk; and this is undoubtedly one of the drivers behind a marked trend towards placing specialised business within underwriting management agencies (UMAs)," said Herman Schoeman, MD of Guardrisk.

Rising to the challenge of being expected to have far greater insight into many different aspects of clients' businesses, brokers are increasingly specialising and it makes sense that in future they will be dealing more frequently with specialised underwriters who are able to provide rates that are stable and sustainable.

This view is supported by the fact that the UMA market has seen material growth over

the past few years and, while the current economic downturn has impacted on capacity, which in turn has slowed down this market's growth, the UMA market remains solid and its prospects for the future are good.

"For brokers, there are several good reasons to deal with a UMA, including their high degree of specialisation, their inherent service orientation, their competitive loss ratios and the strong relationships between UMAs and their brokers," said Schoeman.

Typically, a UMA possesses a high degree of specialised, industry specific underwriting knowledge in respect of its particular sector, which has significant benefits when it comes to advising a client about risk management procedures and appropriate sums insured. Also, at the time of a claim, a UMA will generally be able to identify loss mitigating procedures that need to be put in place, which can be important to the client's risk management programme going forward.

As a business model, the UMA potentially has a far better service orientation. They are smaller, able to offer the benefit of a 'leaner and meaner' organisation that is able to make decisions quickly and provide

service that is tailored to suit the specific need of the brokerage and its clients.

Since successful UMAs possess better knowledge about their particular sector, it follows that their underwriting is more accurate. This potentially translates to better loss ratios, which means better rates and more appropriate excesses for the client. The other side of this coin is that a broker may well find a better rate with a more traditional insurer, which may only have a general understanding of the risk; but this rate will seldom be sustainable once the true risk profile emerges.

Although the traditional market has seen a definite shift from the erstwhile approach of 'who knows who' to a more business-based decision-making environment, UMAs still have very close relationships with their brokers and, in this environment, relationships still count a lot.

There is no doubt that the future of specialised insurance – including construction and engineering, aviation, marine, liability and personal accident – lies in UMAs, which will have an increasingly important role to play in the local insurance market in future.