

Martin Le Roux, Business Head: UMA's at Centriq Insurance provides insight into the UMA business model, which, for various reasons, have become an integral part of South Africa's short-term insurance sector

UMA's are valuable in the sense that they provide specialised insurance products and services to brokers within specific lines of business. "Using the skills and experience of a UMA partner therefore allows an insurer to penetrate and underwrite a product or service within a highly specialised field. Hence, Centriq strives to partner with specialist UMA's who are the best of the breed in their chosen fields and who can provide cradle to grave services to brokers, including complete underwriting, marketing, pricing, policy maintenance and claims management services," says Martin Le Roux: Business Head: UMA's at Centriq Insurance.

He adds that the UMA model is also unique in the sense that it allows entrepreneurs (meaning UMA's) who prefer to operate their own businesses the opportunity to do so while enabling the insurer to save on operating costs. "This is because specialist UMA's are often able to run at more economically competitive structures than the insurer and because the expenses associated with running a specialist division within its own operation form the basis of the underwriting fees the insurer uses to remunerate the UMA who is responsible for all elements of their operation, including appropriate staffing and the like," explains Le Roux.

He notes that the key to success, however, lies in finding UMA partners that possess the right experience and are of the required quality. Centriq, for example, requires UMA partners to have strong entrepreneurial skills together with a proven track record in underwriting and an in-depth knowledge of broker operations and selected target markets. A strong understanding of individual risk underwriting practices coupled with experience in the selection, evaluation and pricing of primary business; risk evaluation; and evaluation of historical loss information etc. are also essential. "We also require the understanding of and compliance with regulatory requirements while a UMA partner's general business practices such as leadership, financial and budgeting skills as well as ability to deal with brokers and staff/resource requirements etc. are taken into account during the selection process," comments Le Roux.

He adds that an obvious concern for insurers that provide a UMA offering is the longevity and sustainability of its UMA partners, specifically from the perspective of retention against other insurer competitive advances as well as issues surrounding succession planning within the UMA itself, especially in highly specialised lines of business.

ENTERS CENTRIQ'S UMA EQUITY MODEL

In trying to address some of these concerns Centriq has recently invested in UMA's via equity stakes, driven in part by the realisation that Centriq, as well as their underwriting partners fortunes are inextricably linked and intertwined into the future. "This behoves us to have a closer, more operationally aligned strategy and vision with identified partners," notes Le Roux.

He explains that Centriq's UMA equity model provides UMA's with access to capital to assist them with key buy-out and/or merger opportunities that they have identified as well as the acquisition of key personnel that may be required from a succession management perspective. "Succession of the UMA business is made more secure due to having a corporate shareholder in the mix whilst at the same time preserving the entrepreneurial spirit within the business and allowing the business partners to have an exit route from their business if the need ever arises," he says.

Shareholding arrangements may also, dependant on each specific case, enable the UMA partner to garner certain "economies of scale" from Centriq, allowing them access to certain shared services such as Human Resources; Legal; Compliance; IT etc. "The benefits of this also extend to indirect economies such as freeing the UMA business partner from these activities so that they can focus on core activities such as underwriting business and maintaining book profitability," comments Le Roux.

That said, Centriq's belief of a meaningful stake, but not necessarily majority control or ownership, are driven by a still held belief that what makes their underwriting partners unique and successful is the amount of entrepreneurial flair and drive brought to the table by each of the respective UMA owners. "We fundamentally believe that in order to preserve this entrepreneurial spirit within each of the partners businesses the majority of ownership must rest with the individual entrepreneurs driving the business. This kind of mature approach also allows partners to experience the benefit of corporate shareholding such as access to capital and opportunity whilst at the same time leaving them secure in the knowledge that they stand to benefit materially from the increased value derived by their business as a result of Centriq's involvement," he says.

Whilst Centriq's underwriting partner model has traditionally been built around the concept of a capitalised cell captive arrangement, it has evolved to the point where the company will consider non capitalised traditional type underwriting manager models, dependant on each partner's specific requirements. "Our preference is obviously for lines of business where Centriq can play a risk assumption role, although "facility only" structures will not be excluded and are judged on merit, and may be either cell captives requiring capitalisation or straightforward UMA type models dependent on various factors such as type of business; limits; partner alignment etc," explains Le Roux.

In addition, Centriq does not believe in a "one size fits all" mentality and prides itself in the bespoke structuring and pricing of deals. "No minimum premium applies per se, but this is dependent on line of business, critical mass issues and historic book performance. Our structures are typically priced bottom up in order to stand the best chance of securing underwriting profitability within targeted ranges," he says.

In conclusion, Centriq acts as a value adding partner to UMA's by providing support with implementation of their insurance strategies while using tried and tested methods of implementing innovative insurance arrangements. The company also avails dedicated technical, financial and compliance resources to all of its UMA partners with ongoing product development support to optimise income and cater for their UMA partners evolving needs. "All of our UMA partners have a dedicated Centriq service and implementation team to manage their programme, which include technical and actuarial expertise to achieve balance of the risk/reward equation. This allows our UMA partners to focus on their core business," notes Le Roux.