



# A case for the uma – EMPLOYMENT CREATION

**I**t is estimated, firstly, that there are currently around 300 UMAs operating in the South African insurance industry, and secondly that about 20 per cent of the short-term market's gross written premium (GWP), about R14.4 billion, is administered through these underwriting agencies.

Isaac Chindotana, portfolio manager at Lireas, the strategic investment company of Hannover Re Group Africa, says that while UMAs have been praised for many of the benefits they have brought to the insurance industry such as innovation and specialisation, they have received very little credit for another significant benefit that transcends the insurance industry, that of employment creation.

South Africa's official unemployment rate was recorded as 24.9 per cent, according to official statistics released at the end of the second quarter of 2012. Chindotana says that to fully appreciate the part that UMAs play in creating employment, we should look at the number of people employed directly within the UMAs, as well as those employed

Underwriting management agencies (UMA) were introduced into the South African insurance market in the late 1980s. Since then, hundreds of UMAs have been started while others have failed or been consolidated into larger businesses or into insurance companies as 'product houses'.

in institutions and service providers who have symbiotic and downstream relationships with UMAs across the value chain. This would include brokers, risk carriers, reinsurers, external claims administration function providers and other suppliers of administrative facilities and functions such as accounting, compliance and IT.

Chindotana says Lireas is considered a pioneer of the UMA concept in South Africa, having been involved in starting 41 UMAs. "The company is currently invested in 15 UMAs, at different stages of maturity and size, and employs more than 420 people in its group of UMAs as at the end of June 2012."

He says that of the approximately 26 UMAs that Lireas played an instrumental part in starting but in whom it is no longer a

shareholder, some of these have grown to be among the biggest UMAs in the market, in some cases employing over 100 people.

"We estimate that in total Lireas has been a party to the creation of approximately 1 000 direct jobs over the 24 years that we have supported the UMA business. This impact on employment creation in the economy is much bigger if the downstream industry and value chain service providers were to be included in this analysis."

"We believe that it's imperative that UMAs, with their entrepreneurial flair and capacity to innovate, should continue to make a concerted and collective effort to play their part in creating employment in the insurance industry and continue to impart their expertise and skills to the young graduates coming through the pipeline," he concludes.