



**Tailor-made insurance products  
is our feature this month.**

We chat to FSP Solutions' MD Lucas Bothma



**The biggest single advantage brokers have over 'direct' insurers is their ability to customise a solution for their client?**

Direct insurers are here to stay. Insurance brokers must increase their value propositions. They can do this either through increasing their range of products and benefits, or by offering other financial services (tax returns/investments/life cover). This mix, combined with service excellence to their clients, will see brokers come out on top in the 'direct vs. intermediary' environment. Independent brokers cannot really compete with the national marketing campaigns of direct insurers and, therefore, brokers have to position and align themselves with multiple services and products in order to give their clients the edge.

**This used to require a lot of legwork?**

It still requires a lot of legwork, knowledge and dedication, to ensure that all clients are properly informed across the wide spectrum of products and financial services. This is made easier and more cost efficient when dealing with a portal like FSP Solutions, where all quotes and any relevant information can be accessed by the broker, 24/7 via our internet-based system.

**But surely an immense amount of training must be involved for brokers to be in a position to properly advise their clients across specialised products?**

Yes, obviously it requires a lot of training, time and money to stay on top of new products and changes in legislation, whilst trying to constantly align yourself to your clients' ever-changing needs. However, we do have access to a broker-training facility that has been accredited by all the insurers that we deal with, to facilitate product training on behalf of the insurers. Brokers are trained across the product provider spectrum in a single session, saving huge amounts of time and money.

**So a broker could place his client's business with two, three or even more, different insurance companies, depending on that client's requirements?**

True, brokers may contemplate all the options for different reasons: either to offer clients significant savings or to extend cover. Many clients have specialised risk requirements, e.g. expensive motorcycles, commercial businesses, aviation, boating and watercraft, to name but a few. Direct insurers can generally not offer these products across the board at the same competitive premiums, or products are excluded from their product range.

**And on the FSP Solutions system, that could happen across both commercial and private lines?**

Yes, we are trying our best to extend our product range and general value proposition to ensure our members have access to every leading insurance solution.

**But surely not all in real time?**

All personal lines business happens in real time via our system. Clearly, the nature of general commercial is very different as no instant rating can be done outside of the small- to medium-risk profiles. Our commercial system will, however, prompt multiple rates from the various partners once we go live, saving members time and money. This will be backed by service level agreements (SLAs) with the various partners to ensure fast turn-around times on each new profile.

**Why doesn't everyone have this technology?**

Simple, it's very costly and complex to achieve system integration with all the various stakeholders in the market. Your system architecture and methodologies is what makes it work or fail.

**What are some of the more specialist offerings available on the FSP Solutions platform?**

For the first time in the history of our company, we are fortunate in the sense that we have more products in final development than what we currently have on offer on our system. Another six leading personal lines product brands are in various stages of completion and integration. Once fully integrated, it will be the first system solution in South Africa to have done so successfully. On the personal lines niche area-side, we are launching four other products, as well as APEX motorcycle insurance, dual cover, a 4X4 product and an all-new taxi product. Our commercial division recently launched our first body corporate/sectional title product through Absa Insurance Company; and another partner in this market segment, CIA Underwriters will be launched soon. We also recently obtained network exclusivity on a fantastic new product offering (a commercial excess buy-down product) called Perils Plus. The new CIB Solutions engineering and guesthouse products are also some of the recent additions available to our members. Negotiations with another light and heavy commercial vehicle partner is also far down the line.

**If FSP Solutions is not an underwriting manager nor an insurer nor a broker, what is the correct description for your business then?**

We act as an e-portal facilitator enabling secure internet trading between the insurer partner and the broker. All rates quoted are those of the insurers allowing them to rate, underwrite and accept at their preferred guidelines and processes.

**So you are on the side of the broker, negotiating best rates on their behalf?**

We are not really in the business to try and negotiate better rates. Times have changed and the market now requires insurers to scientifically calculate premiums, and underwrite risk profiles independently. More and more insurers have adopted rating methodologies through black box technology rather than 'emotional' underwriting. Our business model attracts a significant volume of new business, and insurers may elect to adopt a premium aimed at the channel but this is entirely up to them. We would rather believe that we allow the insurers to position their products via our network at reduced running and acquisition costs, and achieving high volume product exposure at fractional costs. Broker members benefit through more products at their fingertips, allowing higher closing ratios, enhanced customer services and the related savings through trading via the Internet.

**So where does FSP Solutions make its money – does it get a cut of the broker's commission?**

Our members receive the full regulated commission; therefore, margins are small due to the demands on IT, as previously stated. Our revenue is mainly based on increased economies of scale, of which a fraction is passed on to us via our insurer partners, depending on the role we conduct on behalf of each partner.

**What's next, what new product innovations are on the way?**

Some of the new products have already been mentioned but we are also launching a new Santam product which hopefully will be ready by 1 November 2007. The commercial system went through several testing phases and we are basically ready to open it to our members. FSP Solutions will also be conducting full administration for most of the new personal lines products to be launched. Members will benefit by trading through one system which will give them access to various partners and having client data readily available. Brokers may further benefit by simply giving us their corporate 'look and feel', and we would assist them to trade via our system with their own logo and applicable detail. Our core focus remains to serve our broker members with innovation, integrity and intelligence.