



Small Business Metrics: Insurance for Small Businesses in the UK

Report Prospectus

September 2008

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Prospectus contents

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What is the research?

Finaccord's report titled *Small Business Metrics: Insurance for Small Businesses in the UK* is one of two publications in the *Small Business Metrics* portfolio for the UK developed in conjunction with Tpoll (www.tpoll.com). Based on an on-line survey of 1,325 small business owners and self-employed individuals, the study provides fresh and detailed insights into the market for providing a range of business insurance services to the approximately 4.66 million businesses with fewer than 100 employees in the UK.

In addition to providing a comprehensive analysis of the results across all respondents, the publication also breaks out the findings for key trade categories in the small business market, namely: building and construction; child or pet care; education or training; healthcare or related services; hotels, restaurants, cafés and pubs; I.T. services; logistics, motor trades or transportation; media, marketing or entertainment; professional or financial services; property management or rental; retailing or high street services; and other consumer or business services.

Furthermore, the research also provides clear answers to key issues in the market for insurance for small businesses including their propensity to strike up relationships with more than one insurance provider and their inclination to use remote distribution interfaces, such as the Internet, for purchasing business insurance.

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What is the rationale?

A number of factors underpin the rationale for publishing the latest *Small Business Metrics* studies, including this report titled *Small Business Metrics: Insurance for Small Businesses in the UK*. First and foremost is the fact that the market for banking and insurance services promoted to small businesses is substantial given that there are around 4.66 million enterprises with fewer than 100 employees in the UK. Indeed, around 99.7% of registered businesses in the UK can be classified as small businesses if these are defined as enterprises with fewer than 100 employees.

In addition, the market for small business financial services, like that for consumer financial services, is subject to rapid change. As the UK's small business sector thrives and expands, it results in a community with more complex requirements in the domain of banking and insurance. Moreover, the increasing use of the Internet by consumers for financial services acquisition is mirrored in the small business sector, a development which opens up new opportunities for incumbent and aspiring providers of banking and insurance services to this segment.

Finally, use of the Tpoll Internet panel of small business owners allows both for a more detailed investigation than that which would be possible through conventional market research techniques and is of a magnitude that can yield credible results for key segments within the market for small businesses and self-employed individuals as well as an aggregate analysis.

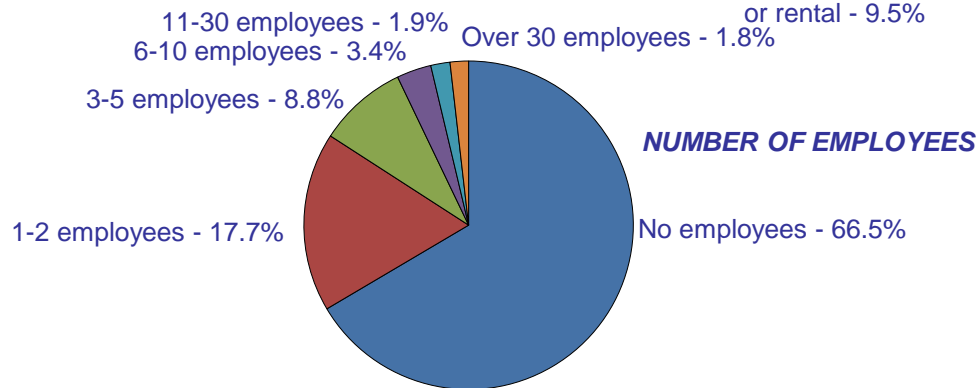
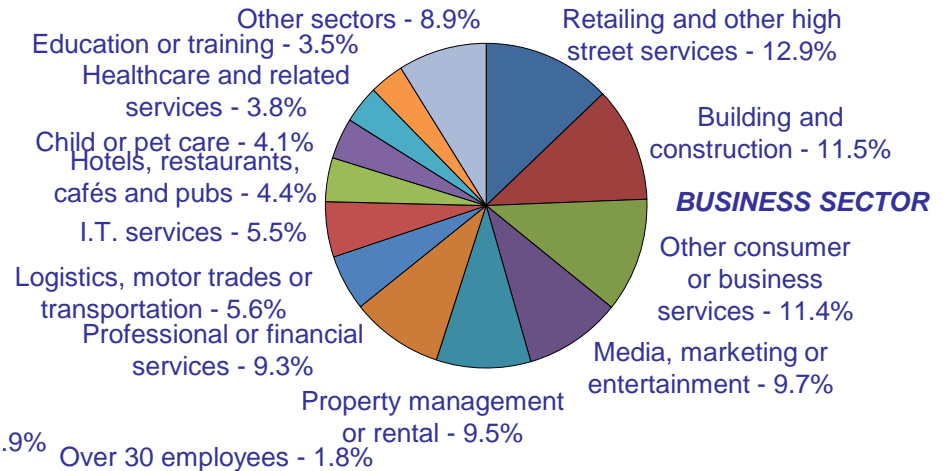
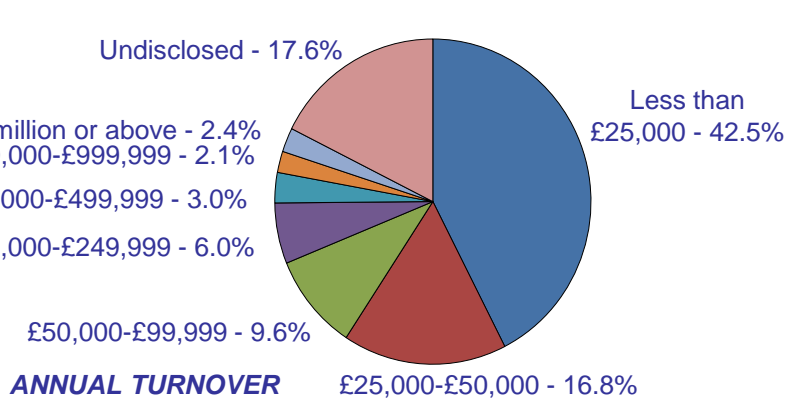
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What methodology has been used?

The research for this study was carried out during June and August 2008 using the Tpoll Internet panel of small business owners. In total, completed surveys were filled in and submitted on-line by 1,325 small businesses and self-employed individuals breaking down by annual turnover, number of employees, business sector, geography, location of business and longevity of business as illustrated in the graphics on the following two pages.

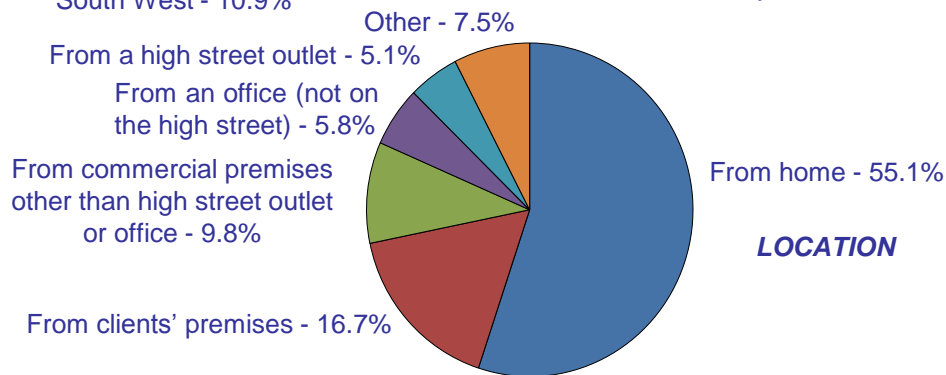
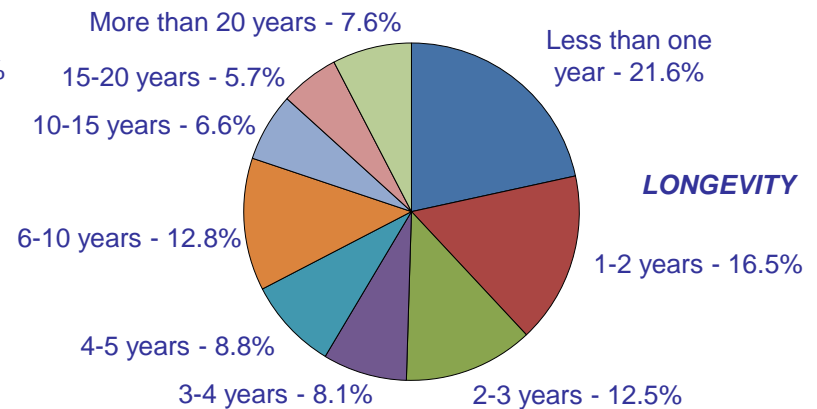
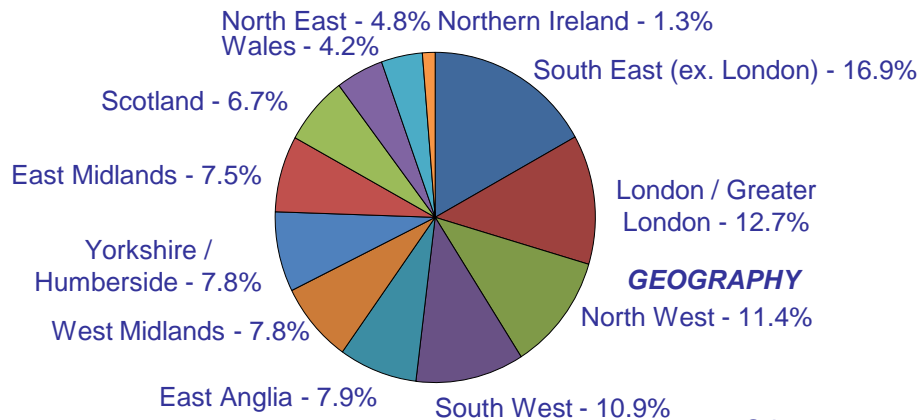
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How does the sample of small businesses break down? (1)



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How does the sample of small businesses break down? (2)



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What are some of the principal metrics gathered?

Penetration rates among small businesses for 25 different types of business insurance including: business interruption insurance; business loan / overdraft protection insurance; business property / premises insurance; business car insurance; business travel insurance; business van insurance; employee theft insurance; key man or partnership / shareholder protection insurance; legal expenses insurance; loss of rental income insurance; professional indemnity insurance; public / product liability insurance; tax / VAT return investigation insurance; and trade credit insurance.

Performance benchmarking for: AIG, Allianz, AXA, Co-operative Insurance, Endsleigh, Hiscox, NFU Mutual, Norwich Union, RBS Insurance, RSA, Simply Business, Swinton, Towergate, Zurich; and other providers of small business insurance. Market share data for primary and secondary insurance relationships also supplied for other organisations including: Aon; BUDGET Insurance; Icon Insurance; insurance-for-business.co.uk; Marsh; Oval; and Smart & Cook.

Satisfaction of small businesses with: accessibility of business insurance provider; breadth / quality of business insurance products offered; breadth / quality of extra services offered; ease of contact with business insurance provider; frequency of contact with business insurance provider; personal contact with a named business insurance adviser; efficiency of business insurance provider at the point of sale; efficiency of business insurance provider on an on-going basis; fairness of claims management (if used); and premiums charged for the main business insurance package.

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What is the report structure?

0. Executive Summary: providing a concise evaluation of the principal findings of the report.

1. Introduction: offering rationale and a detailed description of methodology.

2. Insurance Overview: this chapter compares the survey results across the various segments of the small business market analysed. Key metrics presented in this chapter include penetration rates for business insurance policies, number of business insurance relationships, identity of primary and secondary insurance providers, likelihood of changing main business insurance package and usage of commercial affinity groups to contract business insurance services.

3. Insurer Performance: for ten fundamental indicators, as well as for the apparent propensity of their customers to consider switching, the performance of the UK's leading providers of insurance is benchmarked in accordance with the feedback gathered in the survey from their own customers.

4. Businesses with male owners: an analysis of the principal survey results for business insurance as they pertain specifically to small businesses with male owners.

5 - 23: similar results to those presented for businesses with male owners for 19 other categories of small business including 12 specific trade categories as well as other groupings such as self-employed individuals and businesses with international revenues.

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What are the key features of the research?

Key features of this report include:

- clear presentation of results across 20 different segments of the small business market including home-based businesses and recently-established businesses (those set up in the last three years);
- data describing actual and ideal holdings of 25 different types of business insurance policy including business assets / equipment insurance, cargo / goods-in-transit insurance, cash theft insurance, loss of driving license insurance and loss of trading license insurance;
- investigation into the apparent market shares of insurance providers for primary (ie. the main business insurance package) and secondary (ie. all other services) insurance relationships in the small business market;
- analysis of the distribution channels used by small businesses for purchasing insurance;
- consideration of the degree to which small businesses are using commercial affinity groups to which they belong, such as professional / trade associations and franchise organisations, to contract business insurance services on preferential terms.

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How can the research be used?

You may be able to use this report in one or more of the following ways:

- gain detailed insights into how the requirements and behaviour of small businesses vary in accordance with key categories of business customer;
- appreciate the penetration rates among small businesses across the spectrum of commercial insurance policies and gauge the potential for marketing niche cover such as legal expenses insurance and tax / VAT return investigation insurance;
- assess the degree to which alternative distribution channels such as direct sales by the underwriter and banks, are eroding the position of traditional insurance brokers;
- understand the extent to which small businesses say that they may consider using the websites of online aggregators the next time they need to search for or acquire insurance;
- comprehend the true potential for establishing partnerships with commercial affinity groups for the distribution of business insurance policies.

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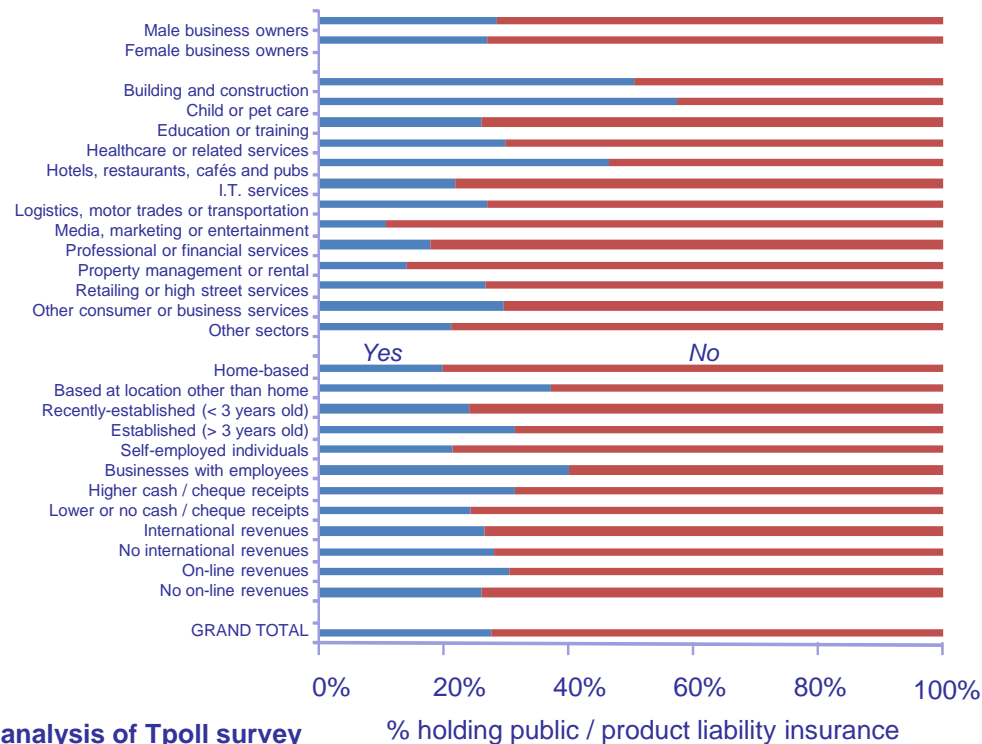
Who can use the research?

1. *Insurance underwriters*: underwriters already serving the small business market in the UK will gain access to a detailed source of primary market intelligence which will help them to understand better the environment in which they operate and to plan accordingly;
2. *Insurance brokers*: the survey results suggest that a significant proportion of small businesses continue to purchase their main business insurance package through an insurance broker - however, a rise in use of the Internet as a distribution interface throws up both opportunities and threats for this constituency;
3. *Banks*: business banks appear to punch somewhat below their weight in the distribution of insurance to small businesses - what is the potential for them to improve their position as the buying behaviour of small businesses mutates further?
4. *Management consultancies*: are you helping a financial institution to develop its strategy for offering insurance services to small businesses in the UK? If so, this study will provide you with unique insights into the behaviour of small businesses in this domain.

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What are some of the key findings?

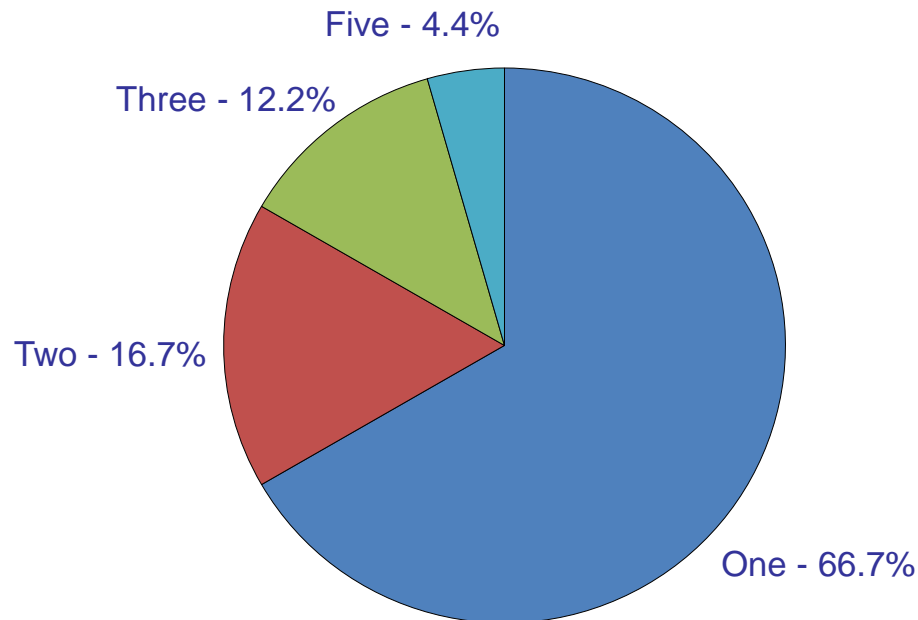
1. Public / product liability insurance is most commonly held by small businesses in the building / construction and child / pet care categories



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What are some of the key findings? (cont.)

2. A third of small businesses in the retailing and other high street services category use more than one provider of business insurance

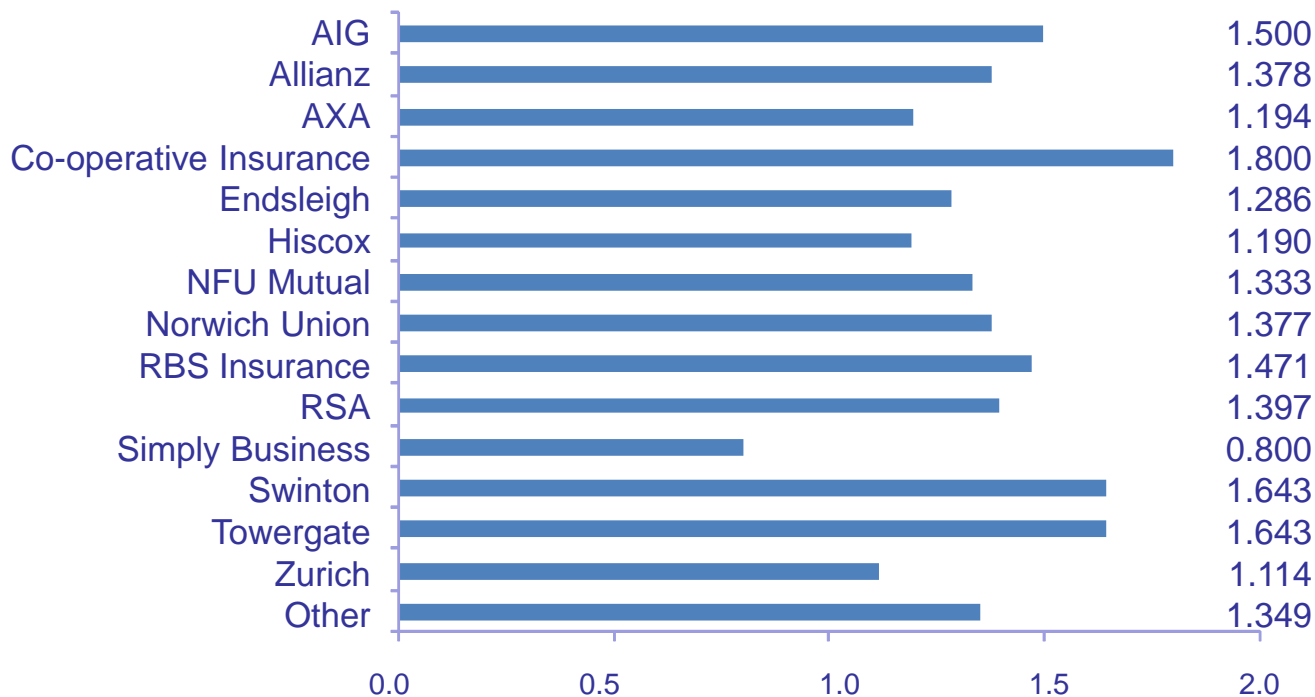


Source: Finaccord analysis of Tpoll survey

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What are some of the key findings? (cont.)

3. Co-operative Insurance is rated first by small business customers for five out of ten factors reviewed including efficiency at the point of sale



*Efficiency at the point of sale:
small business evaluation of
leading insurance providers, 2008*

Source: Finaccord analysis of Tpoll survey

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What are some of the key findings? (cont.)

Key findings from the executive summary include:

- of the 1,325 small businesses responding to the survey, 61.4% ventured that they hold some form of business insurance with the remaining 38.6% being uninsured for the commercial activity that they undertake;
- plainly, these statistics indicate that a significant number of small businesses that do have a genuine or even legal requirement for at least some form of basic business insurance are currently trading with no cover at all;
- generally speaking, cafés, hotels, pubs and restaurants are the category of small business most likely to hold the various types of insurance considered followed by businesses with employees and small businesses in the logistics, motor trades and transportation category;
- if the latest results are compared with those from the equivalent investigation carried out in 2006, it seems clear that a significant shift has occurred in favour of the Internet as a distribution interface given that its share of sales recorded in 2008 is exactly double that registered for 2006.

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What is the cost and format?

Small Business Metrics: Insurance for Small Businesses in the UK is available as a standard Adobe Acrobat PDF document and / or hard copy. Costs for this research, the sister title covering banking and a related study focused on commercial affinity groups in the UK are as follows:

REPORT	COST *	FORMAT
Small Business Metrics: Insurance for Small Businesses in the UK	£2,495	c. 330 pages
Small Business Metrics: Banking for Small Businesses in the UK	£2,495	c. 315 pages
Commercial Affinity Groups: Marketing Financial Services through UK Professional and Trade Associations, 2008	£1,195	c. 130 pages

VAT at 17.5% will be added to the basic price except for where the request is for hard copy only.

Costs quoted are for a single site user license only.

For corporate user licence options, please see the next slide for further details.

Printing and postage costs of £50 per title will be payable if hard copy is required.

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How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord web site available at http://www.finaccord.com/order_uk_sbfsr.htm and fill in the online order form, clearly indicating:

- report required
- type of corporate user licence, if required *
- billing name
- address and e-mail address
- purchase order number, if applicable

Please allow up to one working day for the delivery of electronic copy by e-mail.

* For the **corporate user licence** please choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

VAT at the prevailing rate will be added to the price of any corporate user licence acquired by UK-based buyers.

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