

PRESS RELEASE

Friday 4th April 2008

Commercial Affinity Groups: Marketing Financial Services through UK Professional and Trade Associations

By the end of 2008, well over a third of professional and trade associations in the UK could have a commercial insurance affinity scheme up and running

Introduction

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Commercial Affinity Groups: Marketing Financial Services through UK Professional and Trade Associations*. The research draws primarily on the results of a survey of 750 professional and trade associations in the UK ranging in size from trade bodies with hundreds of thousands of members, to smaller, specialised associations.

The report offers unique insights into the extent to which professional and trade associations have organised financial services, including affinity programs for business insurance, on behalf of their members. Other financial sectors considered are business banking services, accident and health insurance, life insurance and pensions, and personal general insurance.

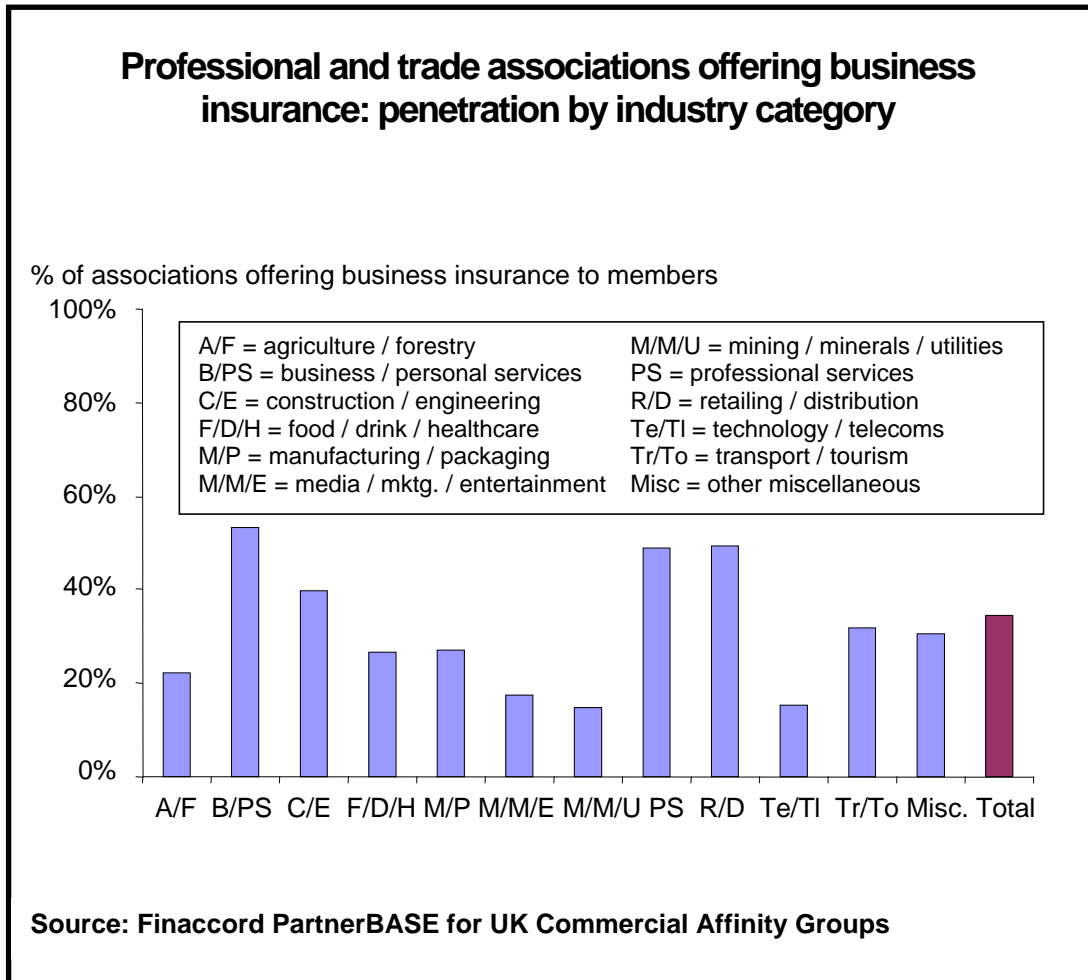
With regards to commercial insurance schemes, the report provides data showing the penetration of these programs by industry category, average take-up rates on the part of member firms, analysis of the operating models and partners used by trade associations for affinity schemes and an indication of possible growth in this market up to the end of 2008.

For the purposes of the analysis, professional and trade associations are grouped into 12 industry categories, namely: agriculture and forestry; business and personal services; construction and engineering; food, drink and healthcare; manufacturing and packaging; media, marketing and entertainment; mining, minerals and utilities; professional services; retailing and distribution; technology and telecoms; transport and tourism; and other miscellaneous.

Over one third of associations run an affinity scheme for commercial insurance

The results of Finaccord's survey demonstrate that the provision of business insurance services by professional and trade associations varies significantly across the 12 industry categories under consideration with business and personal services emerging as the sector in which penetration of schemes among trade bodies is the highest. In fact, over a half (53.5%) of trade associations in this category have organised an affinity program for commercial insurance on behalf of members, a percentage falling to 48.9% for professional services, to 48.4% for retailing and distribution and to 39.5% for construction and engineering, the industry groups with the second, third and fourth highest rates of penetration, respectively, among professional and trade associations.

The overall rate of penetration for business insurance schemes offered by professional and trade associations is 34.7% although all of the remaining industry categories fall below this average, namely: agriculture and forestry (22.2%); food, drink and healthcare (26.5%); manufacturing and packaging (27.0%); media, marketing and entertainment (17.6%); mining, minerals and utilities (15.0%); technology and telecoms (15.2%); transport and tourism (31.7%); and 'other miscellaneous' (30.8%). Generally speaking, associations that are comprised of larger member companies or member firms with a heterogeneous risk profile are those that are least likely to set up business insurance schemes.

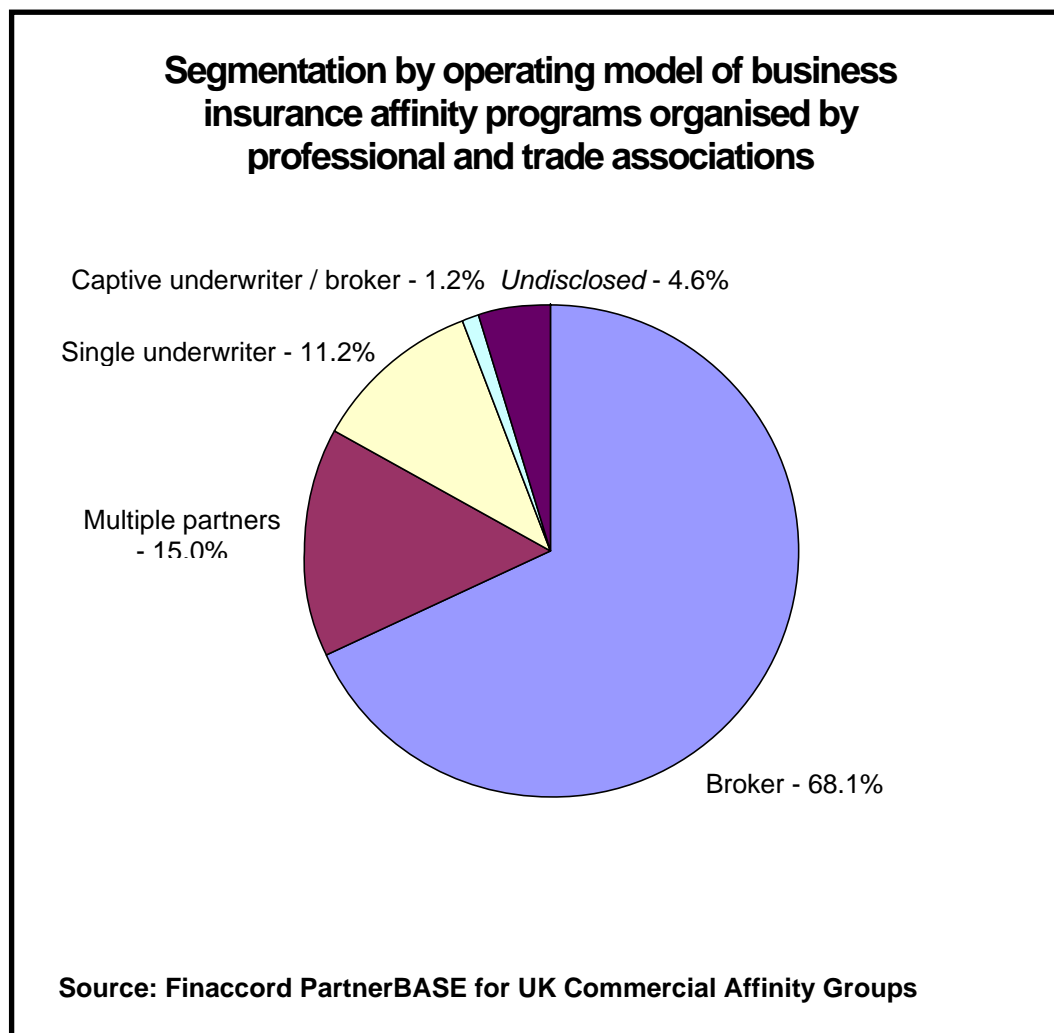


Numerous insurance providers compete for affinity mandates with trade bodies

Of the programs currently in place for business insurance services offered by professional and trade associations, partnerships with a broker are the most frequently occurring operating model across the full range of relationships considered with this mode of provision being used in over two thirds (68.1%) of all cases. In contrast, more than one partner is used in 15.0% of cases, an exclusive link with an identifiable underwriter in 11.2% of cases and a captive underwriter or broker in just 1.2% of instances.

Well over 200 insurance providers, large and small, compete for commercial insurance affinity mandates with professional and trade associations albeit in terms of number of partnerships identified, Towergate, trading through its Towergate Risk Solutions and Towergate Underwriting divisions, is the market leader with as many as 14 exclusive deals in total.

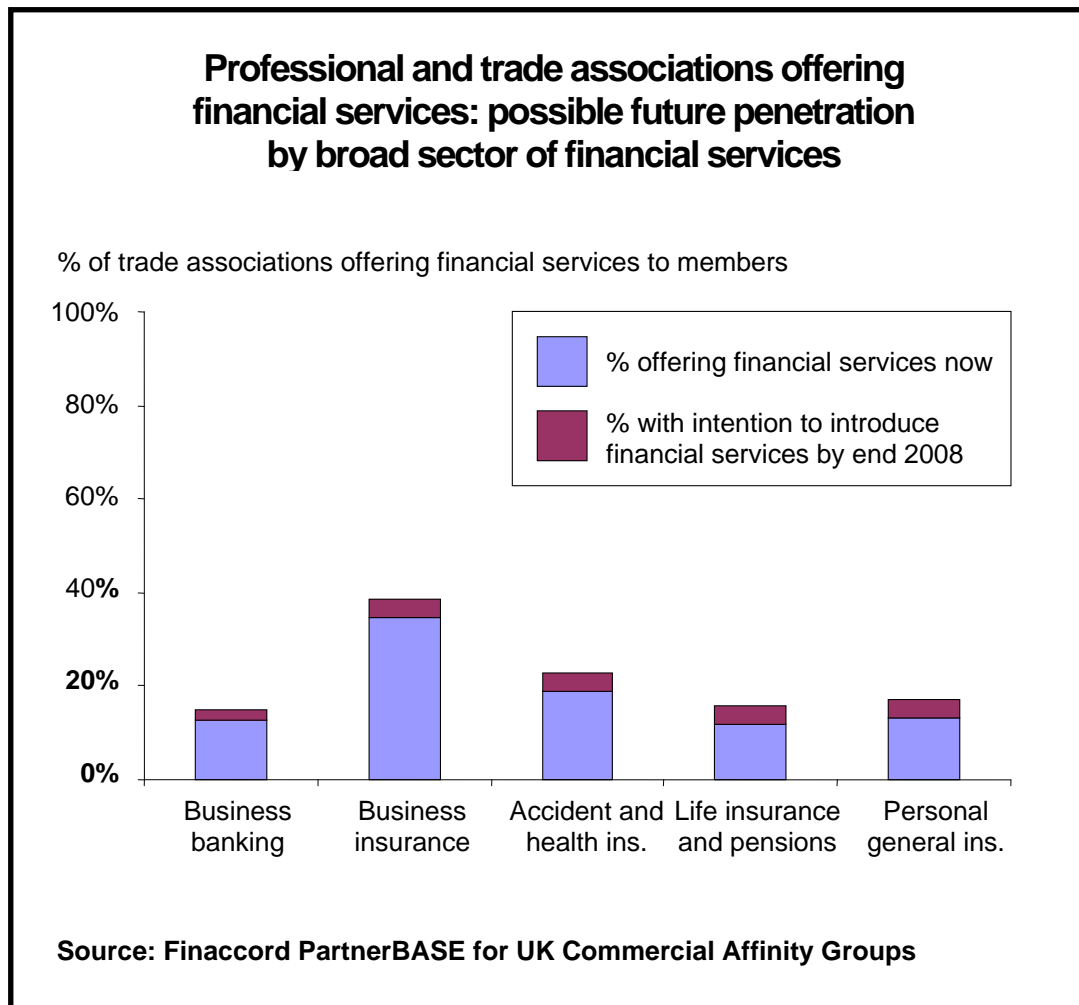
Thereafter, nine brokers were identified as having at least four exclusive relationships for business insurance with professional and trade associations, namely: Aon, Giles Insurance Brokers, Heath Lambert, Jardine Lloyd Thompson, Layton Blackham, Miles Smith, Trafalgar Risk Management (through Parliament Hill), R. K. Harrison and T. H. March. As for Marsh, Finaccord traced just two exclusive partnerships with professional or trade associations for which the ultimate underwriter was not identified.



Business insurance schemes organised by trade bodies should continue to grow

In addition to asking professional and trade associations about the financial services currently offered to member companies, Finaccord’s survey also sought to measure the interest of associations not currently active in organising financial services on behalf of members in commencing such activity before the end of 2008. The results of this enquiry are presented in the following graphic which shows that a further 4.1% of professional and trade associations are interested in arranging a commercial insurance program for their members before the end of the year. If realised, this would mean that 38.8% of associations in the UK could have an affinity scheme in place for business insurance by the end of 2008.

For the sake of comparison, the corresponding percentages for business banking services, accident and health insurance, life insurance and pensions and personal general insurance are, respectively, 2.4% (15.1%), 4.2% (22.7%), 3.6% (15.5%) and 4.0% (17.1%). Generally, it is correct to conclude that professional and trade associations are seeking to add value for their members by organising new services on their behalf wherever this is relevant and beneficial. Indeed, a key means by which associations are able to retain and recruit members is to maximise the array of cash-saving services that they provide with commercial insurance being a particularly significant area of activity in this respect.



Finaccord director, Alan Leach, said:

“Professional and trade associations in the UK constitute an interesting distribution channel for all providers of financial services, especially brokers and underwriters of commercial insurance. A huge variety of schemes set up by associations for business insurance is in evidence and this number seems likely to grow as more trade bodies are looking to expand the range of services offered to members. Indeed, and as revealed in previous Finaccord research, 12.1% of small businesses and self-employed individuals belonging to a professional or trade association claim to make use of a business banking service organised by their association, a percentage that rises to 16.9% in the case of business insurance.”

Commercial Affinity Groups: Marketing Financial Services through UK Professional and Trade Associations was published in the first quarter of 2008 and is available from Finaccord at a cost of £1,195.00.

About Finaccord

Established in 2002 by a team of professionals with an extensive background in financial services, Finaccord specialises in the provision of market research, consulting services and published reports on the financial sector on an international basis with a particular focus on marketing and distribution issues. By offering a focused service, Finaccord aims to be the marketing services consultancy of choice for organizations with an interest in financial services and to provide insights that are sharper, more actionable and which represent better value for money than those of generalist consultancies.

For further information, please contact Finaccord:

Telephone: +44 20 7316 1864

Fax: +44 7624 3629

E-mail: info@finaccord.com

Web: www.finaccord.com