

# PRESS RELEASE

Wednesday 1<sup>st</sup> October 2008

## Small Business Metrics: Insurance for Small Businesses in the UK

***Almost four out of ten small businesses and self-employed individuals possess no commercial insurance cover whatsoever***

### *Introduction*

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Small Business Metrics: Insurance for Small Businesses in the UK*. Based on an on-line survey of 1,325 small business owners and self-employed individuals carried out between June and August 2008, the study provides fresh and detailed insights into the market for providing a range of 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 data describing holdings of business insurance by type of policy, the propensity of small businesses 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.

## **Actual holdings of any form of business insurance**

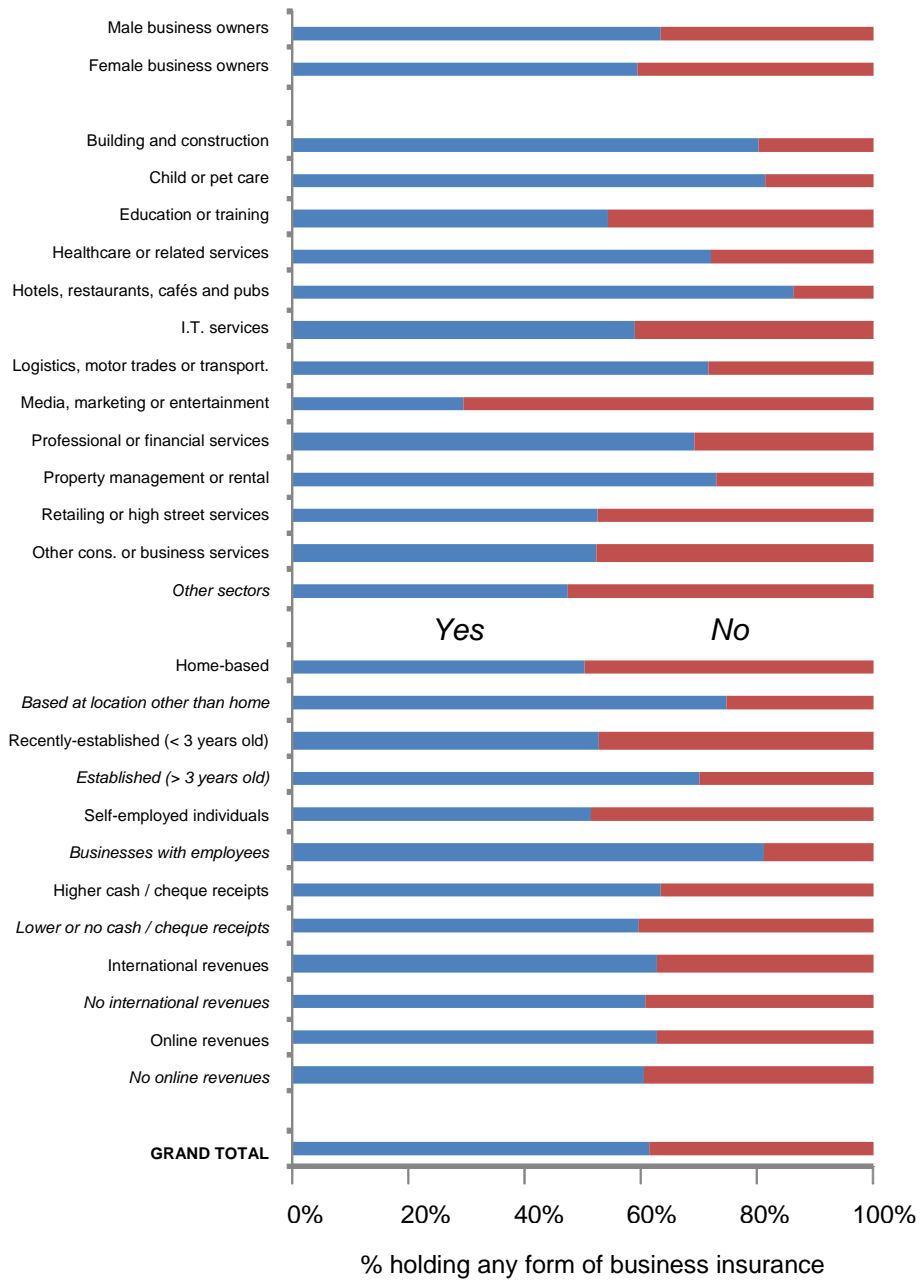
*Cafés, hotels, pubs and restaurants are most likely to be covered by business insurance*

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. Among those who are uninsured, it can be assumed that a proportion run businesses that are so straightforward that there is no real requirement for business insurance. However, it is certainly the case that a further significant proportion does face business risks that could be insured.

Of the different categories analysed, hotels, restaurants, cafés and pubs are the most likely to hold business insurance, given a data point of 86.2%, slightly ahead of businesses in the child or pet care category, for which the percentage is 81.5%. Meanwhile, businesses in the media, marketing and entertainment category, for whom the corresponding figure is 29.5%, are least likely to hold business insurance followed by home-based businesses, who record a penetration rate of 50.4%.

Curiously, at 18.9%, around one in five small businesses with employees, as opposed to self-employed individuals, stated that they hold no form of business insurance whatsoever in spite of the legal requirement for almost all such businesses to be covered by employers' liability insurance.

### Holdings of small businesses of any form of business insurance, 2008



Source: Finaccord analysis of Tpoll survey

### Holdings of small businesses of any form of business insurance, 2008 (data)

Category	Yes	No
Male business owners	63.4%	36.6%
Female business owners	59.5%	40.5%
Building and construction	80.3%	19.7%
Child or pet care	81.5%	18.5%
Education or training	54.3%	45.7%
Healthcare or related services	72.0%	28.0%
Hotels, restaurants, cafés and pubs	86.2%	13.8%
I.T. services	58.9%	41.1%
Logistics, motor trades or transportation	71.6%	28.4%
Media, marketing or entertainment	29.5%	70.5%
Professional or financial services	69.1%	30.9%
Property management or rental	73.0%	27.0%
Retailing or high street services	52.6%	47.4%
Other consumer or business services	52.3%	47.7%
<i>Other sectors</i>	<i>47.5%</i>	<i>52.5%</i>
Home-based	50.4%	49.6%
<i>Based at location other than home</i>	<i>74.8%</i>	<i>25.2%</i>
Recently-established (< 3 years old)	52.8%	47.2%
<i>Established (&gt; 3 years old)</i>	<i>70.1%</i>	<i>29.9%</i>
Self-employed individuals	51.4%	48.6%
<i>Businesses with employees</i>	<i>81.1%</i>	<i>18.9%</i>
Higher cash / cheque receipts	63.3%	36.7%
<i>Lower or no cash / cheque receipts</i>	<i>59.5%</i>	<i>40.5%</i>
International revenues	62.7%	37.3%
<i>No international revenues</i>	<i>60.8%</i>	<i>39.2%</i>
On-line revenues	62.9%	37.1%
<i>No on-line revenues</i>	<i>60.5%</i>	<i>39.5%</i>
<b>GRAND TOTAL</b>	<b>61.4%</b>	<b>38.6%</b>

## Forms of insurance that small businesses would ideally like to hold

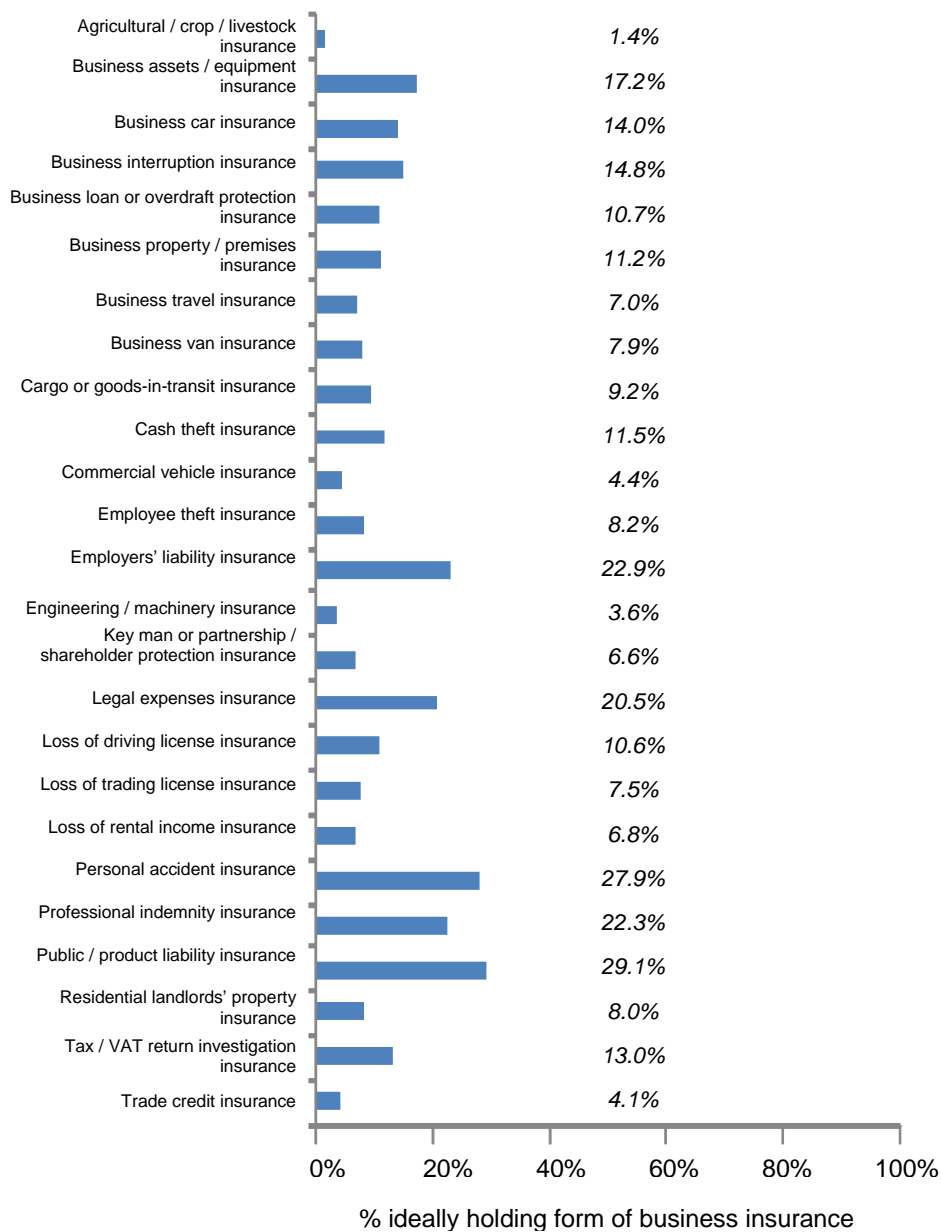
*The disparity between actual and ideal holdings is greatest for loss of driving license insurance*

The survey also asked all respondents to specify which types of policy they would *ideally* like to hold with the raw results to this question being depicted in the graphic overleaf. This illustrates that public / product liability insurance is the form of insurance which small businesses and self-employed individuals are most likely to ideally wish to hold given that this was chosen by 29.1% of the sample.

Other types of business insurance that more than one in ten small businesses would ideally like to hold are personal accident insurance (27.9%), employers' liability insurance (22.9%), professional indemnity insurance (22.3%), legal expenses insurance (20.5%), business assets / equipment insurance (17.2%), business interruption insurance (14.8%), business car insurance (14.0%), tax / VAT return investigation insurance (13.0%), cash theft insurance (11.5%), business property / premises insurance (11.2%), business loan or overdraft protection insurance (10.7%), and loss of driving license insurance (10.6%).

Indeed, the greatest proportionate disparity between actual and ideal holdings of any form of commercial insurance among small businesses and self-employed individuals is that registered for loss of driving license insurance. Given that just 1.0% of small businesses are currently covered by loss of driving license insurance, the figure of 10.6% who would ideally like to possess it mean that latent demand outstrips actual purchase by almost ten to one.

### Forms of business insurance ideally held by small businesses, 2008



Source: Finaccord analysis of Tpoll survey

Commented a Finaccord spokesperson:

*“The market for 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 staff numbers below 100. Moreover, Finaccord’s latest research indicates that the market for small business insurance is changing rapidly. Small businesses and self-employed individuals show an increasing tendency to buy their insurance directly from the ultimate underwriter and their use of the Internet as a distribution interface has risen sharply since the equivalent survey undertaken in 2006. Furthermore, a significant proportion of respondents to the latest investigation indicate that they would be interested in using an aggregator the next time that they need to acquire insurance.”*

*Small Business Metrics: Insurance for Small Businesses in the UK* was published in September 2008 and is available from Finaccord at a cost of £2,495.

### *About Finaccord*

Finaccord is a market research, publishing and consulting company specialising in financial services. It provides its clients with insight into and information about major issues in financial services in the UK, Europe and further afield, with a particular focus on marketing and distribution topics such as affinity marketing, bancassurance and strategic alliances. It bases its published information, research projects and consultancy assignments on robust data and knowledge rather than supposition and theory. By virtue of its international network of consultants, it is able to deliver information quickly and accurately across a range of countries worldwide.

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