

# PRESS RELEASE

Friday 7<sup>th</sup> May 2010

## Affinity and Partnership Marketing in UK Commercial Non-Life Insurance

***Moreover than four in ten professional and trade associations in the UK  
have set up commercial insurance affinity schemes for their members***

### *Introduction*

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Affinity and Partnership Marketing in UK Commercial Non-Life Insurance*.

Finaccord has researched the provision of commercial non-life insurance schemes by 1,145 affinity partners, drawn from a range of sectors. These are led by 750 professional and trade associations, but include other partners such as banks and building societies, online aggregators and brokers, trade unions and sports organisations. The report also distinguishes between different lines of non-life insurance, making this the most detailed and comprehensive survey of this channel currently available.

### *More professional and trade associations offer commercial non-life insurance than in 2008*

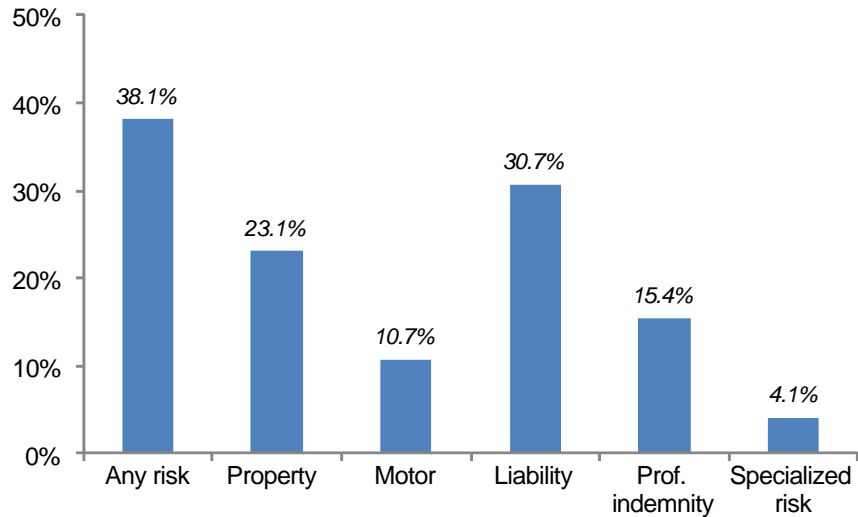
The number of affinity partnerships for the distribution of commercial non-life insurance through professional and trade associations is growing: Finaccord found that 42.9% of these bodies currently have a commercial insurance affinity scheme, compared to 34.7% when this research was last conducted in 2008.

These bodies are more likely to distribute commercial non-life insurance than most of the other types of partner investigated although this varies by line of business. Across all 1,145 of the affinity partners investigated, 38.1% offer some form of commercial non-life insurance, as shown in the chart overleaf.

Commercial liability insurance is the most common type on offer, followed by commercial property insurance. Commercial liability cover is most frequently offered by trade associations with members drawn from the business and personal services sector, at 52.4%, compared to 30.7% for the overall average as shown in the chart overleaf, while commercial property insurance is most often offered by trade associations representing companies in the retailing and distribution sector, at 47.4%, against 23.1% for the total sample.

### Affinity categories offering commercial insurance: % with insurance partnership by line of business, 2010

Percentage of affinity partners offering commercial insurance to members



Source: Finaccord PartnerBASE for commercial insurance affinity groups

#### *Partnerships for commercial motor insurance are rarer than for professional indemnity cover*

Unsurprisingly, at 15.4%, professional indemnity insurance is only offered by a small minority of all partners since it is only relevant for a limited number of companies. However, this figure rises to 46.2% for professional associations: creating an attractive indemnity scheme tailored for its profession is one of the main ways that a professional association can help its members, and can be one of the main reasons for joining it.

Some of the largest professional associations in the country offer professional indemnity insurance to their members, such as the Chartered Institute of Personnel and Development, whose scheme is run by Towergate and underwritten by AXA, or the Institute of Chartered Accountants of England and Wales, with Bluefin as broker and Aviva as insurer. In fact, both of these bodies have almost 130,000 members.

As shown above, even fewer affinity partners distribute commercial motor insurance (10.7%), even though a great many companies own vehicles. Finaccord believes this is because commercial motor insurance is underwritten case-by-case and so an affinity scheme for a group of companies is harder to establish. Instead, commercial motor insurance is offered by three main types of affinity partner:

- online aggregators and brokers, who tend to concentrate on van insurance rather than lorries, extending their expertise in personal motor insurance into commercial lines (50.7% of these partners offer commercial motor insurance);

**PRESS RELEASE: AFFINITY AND PARTNERSHIP MARKETING IN UK COMMERCIAL NON-LIFE INSURANCE**

- banks and building societies seeking to cross-sell motor insurance to their large business customer base but without any particular expertise in this field (11.0% offer commercial motor insurance);
- trade associations with specific transport needs, and who cover a wide range of commercial vehicles including delivery vans, heavy goods vehicles and even hearses in the case of the National Society of Allied and Independent Funeral Directors (9.8% of all trade associations surveyed have a partnership for commercial motor insurance, rising to 19.6% of those dealing with transport and tourism).

*Some schemes are so specialized as to be completely unique*

In addition to these standard risks (liability, property, motor and professional indemnity), Finaccord found a total of 47 schemes for specialized commercial insurance risks, 44 of which are provided through professional and trade associations.

Some of these policies are very specific to just one affinity partner, such as loss of brew insurance arranged by the broker Russell Scanlan for the Society of Independent Brewers or emergency patient care insurance arranged by Alexander Forbes and underwritten by Aviva for the Association of Anaesthetists.

However, five of these policy types were found in more than in more than one affinity partnership, namely: tax investigation insurance; cancellation or adverse weather insurance; credit insurance; locum insurance; and rent guarantee insurance.

*Brokers are the most important insurance type of partner, but concentration is low...*

The majority (52.9%) of affinity partnerships are run by brokers, although such a large number of brokers are active in setting up commercial affinity programs that market concentration is low, measured by the number of relationships in place.

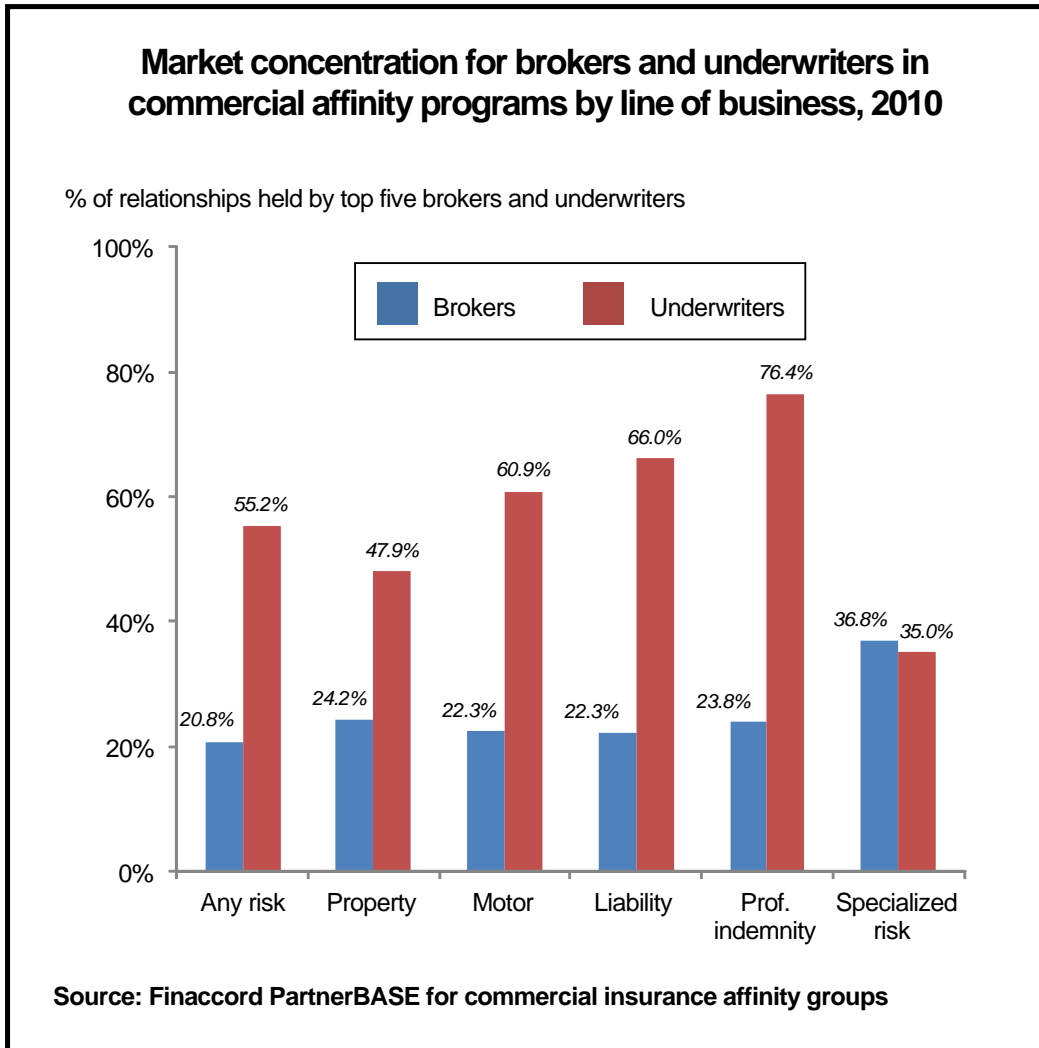
Finaccord identified no fewer than 150 brokers who are active in these relationships, including a few owned by the affinity partner themselves, and the top five of them held just under a quarter of the relationships for any given line of business.

Towergate and Giles are the leading brokers measured by the number of their relationships, with 48 and 37 respectively out of a total of 764 relationships. Heath Lambert and RK Harrison follow with 27 relationships each, while Bluefin and Trafalgar Risk Management have 20 each.

*... in contrast to insurers, where the top five hold 35% to 75% of the market, by product*

Moreover, 47 underwriters were identified by Finaccord as having affinity partnerships (often intermediated by a broker), and the top five hold anything from 35.0% of single partner relationships for specialized risks to slightly over three quarters for professional indemnity.

RSA and Hiscox are the leading underwriters by a clear margin, measured by the number of relationships, with 43 and 40 respectively. RSA's relationships are mostly with professional and trade associations, plus a significant number of sports organisations, and its insurance offers cover all major lines of business. Hiscox, in contrast, has about 85% of its relationships concentrated in liability and professional indemnity cover.



Finaccord consultant, David Parry, said:

*“Commercial schemes are an important means for brokers and underwriters to reach business customers, and for affinity partners to extend what they offer to their own members or customers. The number of schemes in place is growing, especially among professional and trade associations, and online aggregators and brokers. However, this increased competition points to a split in the way that the market is developing. One route is made up of well-designed schemes for professional and trade associations, where insurance partners have a real understanding of each industry and can develop pricing and features specifically for them. The other route is for aggregators and brokers to repeat their impact on personal lines insurance, driving down prices and increasing switching rates, to the detriment of underwriters. Since most partnerships are run by brokers, insurers may want to look to the likes of Towergate and Giles to help create relationships that compete on the quality of their policies and not on price alone.”*

*Affinity and Partnership Marketing in UK Commercial Non-Life Insurance* was published in the first quarter of 2010 and is available from Finaccord at a cost of GBP 1,495.00.

### **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 has also developed unique expertise in analysis of dynamics in the small business sector in the UK.

For further information, please contact Finaccord:

Telephone: +44 20 3178 2556

Fax: +44 20 7198 7902

E-mail: [info@finaccord.com](mailto:info@finaccord.com)

Web: [www.finaccord.com](http://www.finaccord.com)

### **About the research**

The research for this report and its associated PartnerBASE™ database, which details commercial insurance relationships in place with each affinity partner, was carried out between January and March 2010, alongside research into the distribution of personal financial services by affinity partners in the UK. Insurance partnerships were researched online and by telephone. A total of 1,145 entities are included in this research, as shown in the table overleaf.

**Partner entities covered by this report,  
segmented by affinity category (data)**

<b>Entities by category</b>	<b>Number</b>
Banks, building societies and lenders	118
<i>of which</i>	
Banks	37
Building societies	57
Specialized lenders	24
Online aggregators / brokers	75
Professional associations	106
Sports organisations	51
Trade associations	644
<i>of which</i>	
Agriculture and forestry	27
Business and personal services	143
Construction and engineering	72
Food, drink and healthcare	49
Manufacturing and packaging	100
Media, marketing and entertainment	67
Mining, minerals and utilities	29
Retailing and distribution	57
Technology and telecoms	28
Transport and tourism	46
Other miscellaneous	26
Trade unions	59
Other	92
<i>of which</i>	
Automotive associations	5
Branded conglomerates	3
Internet, media and telecoms entities	83
Post Office	1
<b>Total</b>	<b>1,145</b>

**Source: Finaccord PartnerBASE for commercial insurance affinity groups**