

# PRESS RELEASE

Friday 30<sup>th</sup> October 2009

## **Small Business Segments: Marketing Business Insurance to Major Professions and Trades in the UK**

***New research offers detailed insights into the market for insurance acquired by small businesses and self-employed individuals in the UK***

### *Introduction*

The information contained in the following press release is drawn from Finaccord's recently completed market research study and interactive database titled *Small Business Segments: Marketing Business Insurance to Major Professions and Trades in the UK*. This casts new perspectives on the market for insurance acquired by small businesses and self-employed individuals in the UK. With a focus on enterprises with an annual turnover of up to £5 million, the research sizes the market both in terms of the actual number of insurable enterprises in each of 105 major professional and trade segments and the value of their business insurance expenditure each year.

It also offers a breakdown of this data across three annual turnover bands (enterprises with an annual turnover of up to £100,000, enterprises with an annual turnover of between £100,000 and £1 million, and enterprises with an annual turnover of between £1 million and £5 million) and provides 'backcasts' to 2005 and forecasts to 2013 in order to provide a time line across nine years.

With regards to the rationale, insurance providers usually conceive, develop and promote insurance policies for the small business market with particular professions and trades in mind rather than by the generic categories of commercial motor insurance, commercial property insurance, general liability insurance, pecuniary loss insurance and so on.

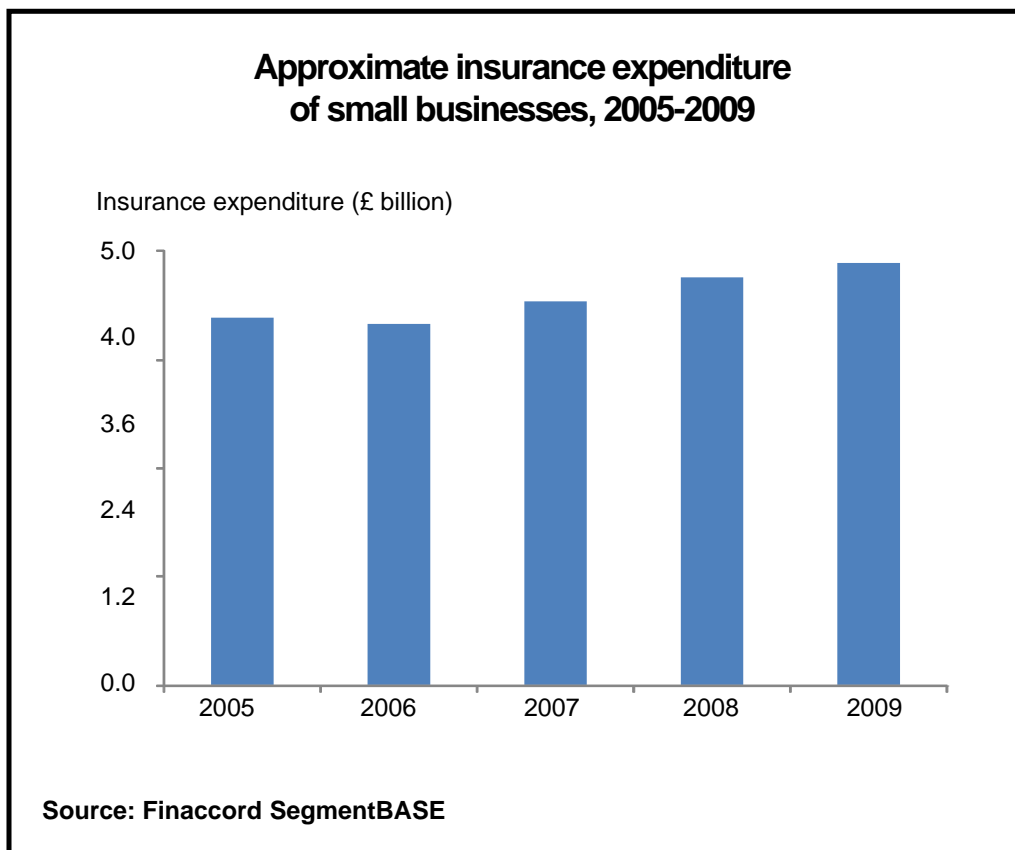
However, market data issued by official industry body and other published research sources focuses purely on those generic categories rather than the underlying professions and trades, hence Finaccord has sought to develop a product that meets more effectively the marketing needs of insurance providers in this arena by analysing the market by profession and trade.

## The value of the 'small business insurance market' in 2009

*Several factors produce a 'small business insurance market' size of almost £5.0 billion*

With regards to insurance expenditure by small businesses and self-employed individuals with a turnover of up to £5 million, the following graphic depicts trends in the approximate value of insurance acquired between 2005 and 2009, with a total market size calculated of £4.90 billion for the latter year.

This is significantly higher than the bracket of £3.5 billion to £4.0 billion commonly quoted as the size of the 'small business insurance market' in the UK but there are several factors that combine to produce a higher market size. Specifically, Finaccord's figures include charities, community and voluntary organizations, and other segments whose insurance expenditure might not normally be classified in this way such as farms and farmers, and private landlords. Removing these four segments from the total reduces the estimated market size to £3.75 billion in 2009 which is exactly in line with the aforementioned bracket.



## **The fastest growing and fastest declining segments by insurance expenditure**

*Three segments saw average annual growth in insurance spend of more than 8% up to 2009*

Finaccord's analysis also allows the specific business segments whose approximate insurance expenditure is either growing or declining at especially marked rates to be observed. Thus, the table on the following page identifies the five fastest growing and five fastest declining business segments by approximate insurance expenditure between 2005-2009, in the first data set, and 2009-2013, in the second.

Concerning the period from 2005 to 2009, solicitors, solicitors firms and enterprises offering other legal services (8.3%), the property development and management segment (8.2%), the management and business consultancies segment (8.1%), the independent teachers, trainers and tutors segment (7.7%), and the segment of cultural facilities and event organizers and venues (7.6%) are believed to have recorded the most rapid average annual growth rates in their total insurance expenditure.

Steep increases in professional indemnity insurance premiums in 2008 and 2009 for some enterprises in the segment of solicitors, solicitors firms and other legal services is the main reason for this segment achieving the highest growth rate.

*The value of insurance acquired by newsagents and sub-post offices is in perpetual decline*

On the other hand, the most precipitous falls are registered for the segments defined as fuel retailers (-3.6%), sub-post offices (-3.0%), newsagents (-2.5%), manufacturers of clothing or footwear (-2.2%), and bakery retailers and delicatessens (-2.1%). In fact, all five segments are in long-term structural decline and the recession of 2008 and 2009 will have had a small impact only in this respect.

With reference to predicted developments up to 2013, only the segment of solicitors, solicitors firms and other legal services is again ranked among the top five in terms of average annual growth in insurance expenditure although a figure of 6.0% is sufficient only for it to be placed fourth.

Rather, it is forecast to be outpaced by the segments of independent teachers, trainers and tutors (8.2%), accountants and accountancy firms (6.3%), specialised secondary and adult educational institutions and services(6.1%), and with market traders and stall holders (5.8%) not far behind.

However, for the same future time frame, newsagents (-1.9%), sub-post offices (-1.4%), manufacturers of clothing or footwear (-1.0%), and bakery retailers and delicatessens (-0.6%) again feature among the five segments with the poorest growth prospects, although antique dealers displaces fuel retailers from this grouping with a forecast average annual decline of -1.2% in insurance expenditure. Once again, the long-term fall in number of small enterprises in these segments is the main reason for these results rather than the recession.

**The five fastest growing and five fastest declining business segments by approximate insurance expenditure, 2005-2009 and 2009-2013 (data)**

**Segment**

*Five fastest-growing*

*CAGR, 2005-2009*

Solicitors, solicitors firms and other legal services (excl. barristers)	8.3%
Property development and management	8.2%
Management and business consultancies	8.1%
Independent teachers, trainers and tutors	7.7%
Cultural facilities and event organizers and venues	7.6%

*Five fastest-declining*

*CAGR, 2005-2009*

Bakery retailers and delicatessens	-2.1%
Manufacturers of clothing or footwear	-2.2%
Newsagents	-2.5%
Fuel retailers	-3.0%
Sub-post offices	-3.0%

**Segment**

*Five fastest-growing*

*CAGR, 2009-2013*

Independent teachers, trainers and tutors	8.2%
Accountants and accountancy firms	6.3%
Specialised secondary and adult educational institutions and services	6.1%
Solicitors, solicitors firms and other legal services (excl. barristers)	6.0%
Market traders and stall holders	5.8%

*Five fastest-declining*

*CAGR, 2009-2013*

Fuel retailers	-0.8%
Manufacturers of clothing or footwear	-1.0%
Antique dealers	-1.2%
Sub-post offices	-1.4%
Newsagents	-1.9%

**Source: Finaccord SegmentBASE**

Commented Alan Leach, Director of Finaccord:

*“The market for business insurance acquired by small enterprises and self-employed individuals in the UK is not a single, homogeneous sector but rather a series of niches that vary radically by size and growth. However, calculating the size of the ‘small business insurance market’ depends upon the precise definition used in terms of business activities and business size. What is clear, nonetheless, is that with gross premiums written of almost £5 billion in 2009, the market for selling insurance to small enterprises and self-employed individuals is a substantial sector. Furthermore, insurance providers that position themselves in particular professional and trade segments stand to grow more quickly than those with a less targeted offering.”*

*Small Business Segments: Marketing Business Insurance to Major Professions and Trades in the UK* was published in October 2009 and is available from Finaccord at a cost of £3,995 for the entire report and interactive database or £80 for the output for any individual segment.

### *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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