

# The knowledge Commercial e-trading/ The buy

## SME direct sales: not if, when

Since the standard question sets for micro-SME policies were established around 2005, e-trading has evolved between brokers and insurers at the lower premium end of the market.

Now the question is how far and how fast direct sales will encroach on brokers' commercial business, as happened in personal lines. Small business owners are often short of time, and being able to research and purchase cover online whenever it suits them is a big attraction. Price is also a sticking point for this group, and direct purchase can offer the choice of reducing premiums by excluding unwanted cover. As well as direct insurer websites, brokers face an online challenge from aggregators and banks too.

Because direct purchase tends to be for micro-SME policies like shops and tradesman, the average premiums involved range from around £250 to £600. But commentators predict that this could rise to £2,000 and beyond as insurers begin to develop commercial combined packages for the direct market.

With a total SME insurance market of £5.4bn, the prize is extremely attractive for those who get it right. One way for brokers to compete is to offer an online quoting portal of their own.

Brokers have traditionally owned the relationship with the SME customer, and therefore the customer data, but insurers are waking up to how valuable this can be. The closer to the customer an underwriter is, the more accurate their risk assessment.

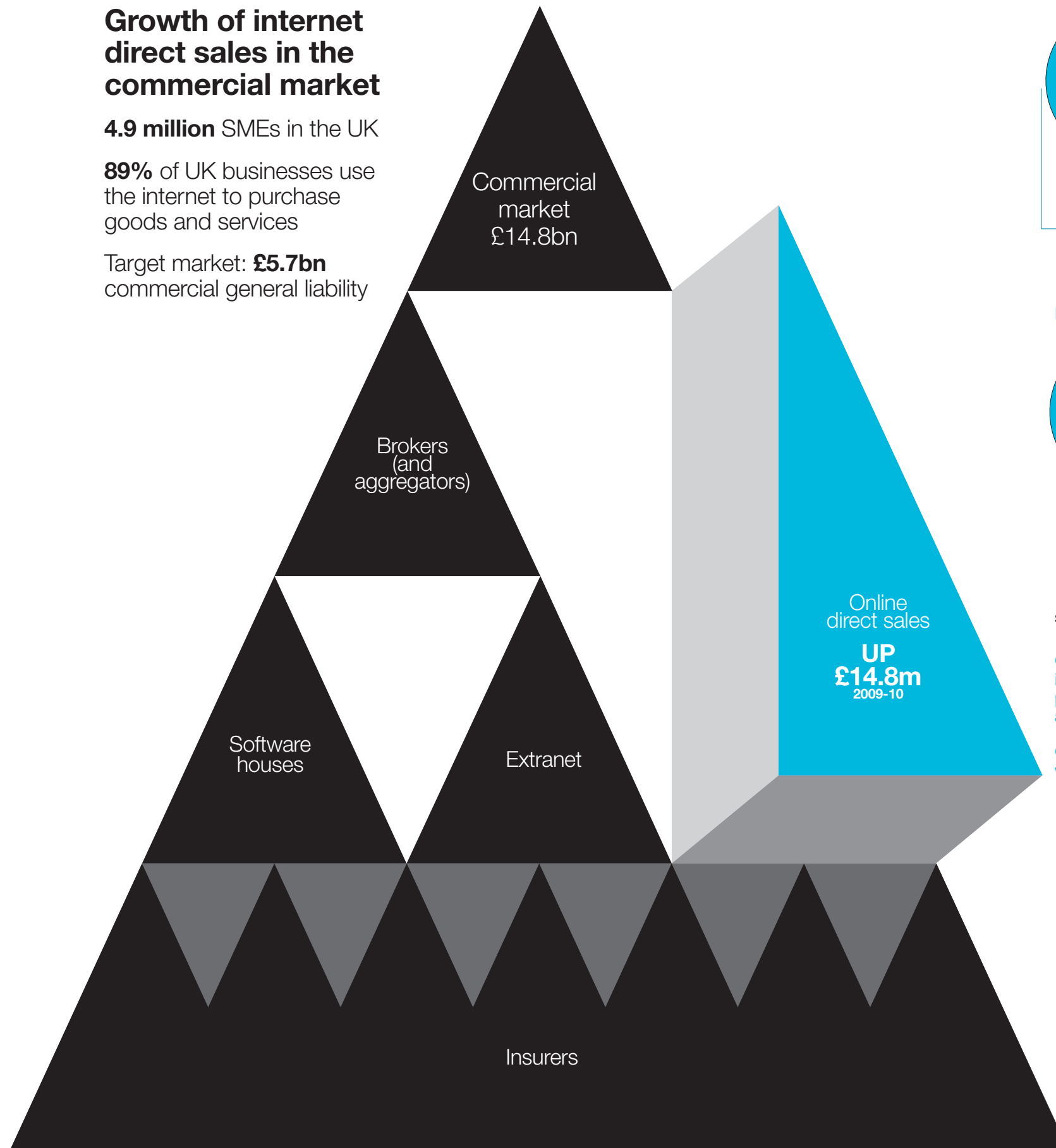
Brokers' challenge is to develop a compelling service that will stop insurers' direct sites from muscling in.

### Growth of internet direct sales in the commercial market

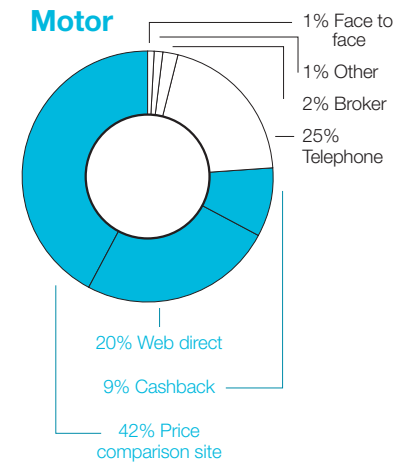
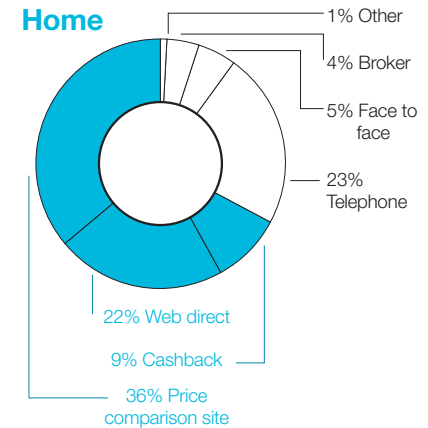
4.9 million SMEs in the UK

89% of UK businesses use the internet to purchase goods and services

Target market: **£5.7bn** commercial general liability



### Patterns of buying behaviour in personal lines



Source: Consumer Intelligence

● SME commercial cover is predicted to follow personal lines and become a direct purchase

● The SME insurance market was worth £5.4bn in 2008