News release

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| *Pages*  | 2 pages |

***Almost half of SMEs will buy insurance online within five years.***

* 48% of small businesses who plan to switch insurance providers in the next five years say they want to do so online
* Just 16% of small businesses have cyber insurance and 18% do not have liability cover.

A growing number of small businesses say they are looking to interact with their insurers online, with 36% saying they will buy online in the near term, and 48% within five years.

The findings are from a survey by PwC of 2,100 small businesses from 14 countries across North America, Latin America, Asia and Europe. It shows the insurance market for small and medium sized enterprises (SMEs) is likely to completely change to match the digital transformation seen in personal insurance over the past decade. The insurance industry needs to act now to meet this growing demand from small businesses.

The survey shows that small businesses in the UK are the most digitally savvy of their peers across the world when it comes to interacting with their insurance providers online. 43% say they have purchased insurance online, vs 24% on average globally.

Gero Matouschek, EMEA insurance leader, PwC Strategy & comments:

“The insights of this study are both an opportunity and a challenge for the insurance industry. Companies that are aiming to be customer-centric need to act now on customer feedback asking for a more digital experience for their business.”

"There are two opportunities to be addressed. Firstly, closing the digital gap in terms of communications and delivery, and secondly, closing the gap on a segment that seems underserviced so far. There is no one size fits all solution. There will need to be market and insurance-specific answers to what the customer needs. Similar to the experience in the retail sector, one option is to elevate existing services to true multi-channel offerings by supporting existing sales and communication with digital channels. In addition, there is an opportunity to build greenfield integrated digital insurance offerings.”

“What the study tells us is that true digital insurance is an opportunity to completely rethink the product and service offering and adapt the operating model accordingly to take full advantage.”

**Other key findings**

Recently founded companies are more likely to interact with the insurance industry online. 48% of small companies under one year old, and 42% of those 4-5 years old, say they want to purchase business insurance online. This drops to 37% of more established companies aged over ten years, who tend to have deeper relationships with brokers and agents. Existing relationships with brokers/agents (44%) and the need for expert advice (38%) were the top reasons for not buying online.

Experience with buying personal insurance is the single biggest predictor of how a business wants to purchase its business insurance. 59% of those who bought their personal insurance online also purchased their most recent business insurance online. 70% of owners who purchased their personal insurance online state they would like to purchase their business insurance online in the future.

The findings also reveal that many small businesses are often unknowingly underinsured, leaving them vulnerable to paying out large sums in claims and legal costs if an incident occurs. For example, across the globe cyber cover for small business is extremely low, with just 16% of global firms telling PwC they currently have cyber insurance, despite an additional 46% acknowledging it could be applicable for their business.

In addition, just under a fifth (18%) of global small businesses do not have liability insurance, and only half have indemnity insurance.

Steve O’Hearn, global insurance leader at PwC, added:

“By their very nature small businesses with time-starved owners see the opportunity to turn to digital channels to find the right insurance services quickly and cost effectively. The fact that so many of SME leaders have experience buying online offers Insurers an open door to developing new ways of serving their customers and developing new products.

“Insurers must have the capabilities to understand their customers and have technical solutions allowing them to rapidly evolve and adapt solutions as the market changes. They also should look at an emerging generation of startups not just as customers but as potential partners in providing new technology solutions and value-added services, creating more responsive, and targeted solutions.”

**Ends.**

**Notes for editors.**

1. Download the report here : <https://www.strategyand.pwc.com/reports/digital-sme-insurance-survey>
2. PwC interviewed more than 2,100 small and medium sized businesses, with up to 50 employees, across 14 countries to gather their views on the changing nature of commercial insurance. The findings provide insight into SME attitudes to digital interaction and how insurers can capitalise on this changing customer behaviour.
3. Companies with fewer than 250 employees account for 99% of all firms in the OECD nations, accounting for 70% of jobs on average. Source: OECD June 2017.

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