



PRESS RELEASE

UK SMES STILL FEELING THE PINCH INTO 2010 LOWEST PREMIUM IS KEY INSURANCE BUYING FACTOR AS INSURER AND BROKER ADVICE IS UNDERVALUED, FINDS QBE SURVEY

LONDON, 01 February 2010

Key points

- 75% of UK SMEs say competitive price is key factor in buying business insurance
- A third would rather buy business insurance direct, rather than via a broker
- Only 16% of UK SMEs will look to the insurance industry for advice in the first six months of 2010

UK SME's feeling the pinch

QBE's third survey of small and medium sized enterprises (SMEs) identified that the majority, 75%, of UK SMEs view a competitive price as the most important factor when buying insurance – a sentiment that perhaps indicates recession-related cost constraints are still driving UK business decision making. This was highlighted by the survey's finding that 71% of SMEs in the UK believe that they would find it difficult but manageable at best if current economic conditions were to persist.

Lowest premium dominates thinking

Focus on price was the priority for SMEs across the UK, except in the Midlands and Wales where the financial security of the insurer was their main concern. In all other UK regions, including London, the financial security of the insurer was the second most important factor, after competitive price.

The UK SME top seven

| | |
|-----------------------------|-----|
| Competitive price | 75% |
| Financial Security | 68% |
| Specialism in your industry | 54% |
| Proven claims track record | 53% |
| Broker recommendation | 45% |
| Recognisable brand | 36% |
| Additional no-cost benefits | 26% |



PRESS RELEASE

Benefits of the broker service unknown to 1 in 10 UK SMEs

The survey found that a surprising third of UK SMEs would be happy to reduce the cost of buying business insurance by going direct to an insurer and thereby avoiding broker commission. A further 1 in 10 were uncertain of the benefits of a broker service, suggesting that this is not being adequately explained by their current supplier.

Few SMEs will look to the insurance industry for advice in 2010

The survey found that only 16% of UK SMEs intend to look to the insurance industry for advice in 2010, with only 11% looking to insurance brokers and a mere 5% to their insurers. This reluctance may indicate that, while SMEs may understand their legal commercial insurance requirements, many may not view their broker or insurer as a source of practical advice on mitigating risks to their business.

Terry Whittaker, Managing Director, National Division, QBE European Operations,

commented: "Given the current economic environment, it is unsurprising that price is the top priority for UK SMEs. However, as an industry there clearly is work to be done in explaining the added value that a quality insurance service from brokers and insurers can deliver. With SMEs unable to absorb significant rate rises and insurers operating under a necessity to underwrite profitably, it is essential that insurers and brokers work together to promote the benefits of their offering."

The QBE Business Sentiment Survey

QBE, the specialist business insurer, undertook the survey of SMEs in the UK at the end of 2009. The data were gathered and analysed by independent survey company, The Survey Shop.

- Ends -



PRESS RELEASE

For further information please contact:

Sandra Villanueva, QBE European Operations
Tel: +44 20 7105 4428; email Sandra.villanueva@uk.qbe.com

Samantha Whiteley, Haggie Financial
Tel: + 44 20 7417 8989; email Samantha.Whiteley@haggie.co.uk

Henny Breakwell, Haggie Financial
Tel: +44 20 7417 8989 email: Henny.Breakwell@haggie.co.uk

Notes to editors

About the QBE Business Sentiment Survey

Data were collected by The Survey Shop in November 2009. A total of 402 interviews were conducted by telephone using quota sampling. Respondents were qualified as owners, managers and decision-makers, and the data are representative of SMEs in UK and Ireland.

About QBE

QBE Insurance Group is Standard & Poor's 'A+' rated and is one of the world's leading international insurers and reinsurers, headquartered in Sydney, Australia. We operate out of 45 countries across the globe, with a presence in all key insurance markets, and are lead underwriters within our chosen markets, setting rates and conditions. For the year ended 31 December 2008, the company underwrote gross written premium totaling £6,025 million and held shareholders' funds of £5,364 million.

QBE's European Operations, which accounts for almost 40% of QBE Group turnover, is a leading specialist in London market and European commercial lines business. Active in both the Lloyd's and company market, QBE offers considerable diversity to the broking community, via eight product-focused underwriting divisions - casualty, QBE Re Europe, property, motor, marine & energy, specialty, aviation - all operations have the ability to write on both Lloyd's and company market paper.