Alpha

Small & Medium Enterprise (SME) Insurance

A £17 billion market hiding in plain sight

November 2026



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A soft market needs new risk pools

Growth is no longer a given

Volume and margins on the big, familiar commercial risks are thinning. The wins insurers have enjoyed during the hard market are waning, with the pool of desirable risks diminishing.

Insurers are being forced to look at adjacent and under-tapped segments to find growth against the challenging backdrop.

The opportunity

There are roughly 5.7 million[1] SMEs (business with fewer than 250 employees) in the UK, over 75% of which are sole traders.

The UK SME insurance market is worth roughly £17 billion[2]. Despite small premiums, the sheer volume of SMEs generates a sizeable market.

None of it is locked into stable relationships. All of it is being actively fought over, or simply ignored, by insurers who haven't worked out how to reach it profitably.

Note(s): (1) UK Government (2025); (2) Alpha FMC Analysis

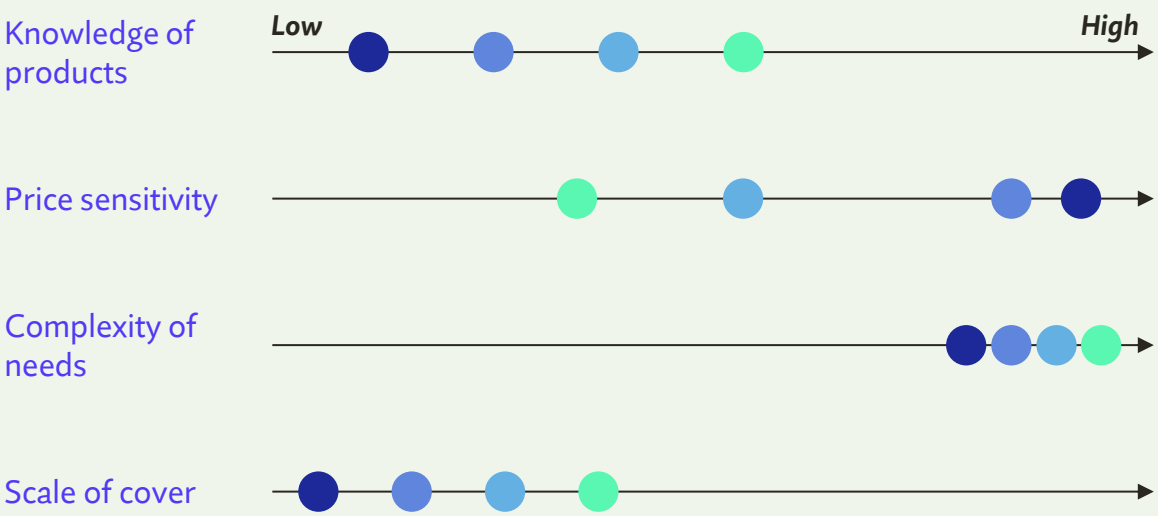
Not all SMEs are equal

Overview of SME segmentation

Segment	# business[1]
Sole Trader	4.27m
Micro	1.15m
Small	0.22m
Medium	0.04m
Total	**5.68m**

There are nearly 5.7 million UK SMEs. This ranges from small local traders, to established scaled businesses with nearly 250 employees. The umbrella of SMEs comprises many different risks and needs meaning a one-size-fits-all proposition misses the mark.

Traits of SME segments



Note(s): (1) UK Government (2025)



Previously beyond reach

Why the SME segment has stayed out of reach

The SME segment hasn't been ignored by accident. It's been genuinely hard to access profitably, and three problems have limited the segment from reaching its true potential.

1. SMEs often don't know what they need

Many don't know what they're legally required to hold, or don't see insurance as necessary at all. That makes them expensive to reach and slow to convert - only 17%[1] would call their current cover genuinely tailored to their needs.

2. Every risk is small, but every risk is different

Underwriting that uniqueness at scale has historically cost more than the policy is worth - which is exactly why insurers default to rigid, one-size-fits-most products.

3. Rigid products fail to meet real needs

Cover gaps are common and costly: only around 60%[1] of claims get paid out in full, mostly because the cover underneath was never sized correctly for the business in the first place.

Note(s): (1) Public First & ABI (2026)

Four sources of value

Switching dominates the opportunity

Nearly 80%[1] of insured SMEs shop for a new provider every year, and around half actually follow through. This is the single biggest pool on offer, and it resets annually. It is also the biggest risk for incumbents who must continually compete and can't risk complacency.

Uninsured are a significant portion of smaller SMEs

Nearly 30%[2] of sole traders and 5%[2] of micro-SMEs hold no insurance products. Many of these stem from a lack of understanding of both legal obligations and the wider benefits of insurance.

SMEs are constantly entering and exiting the market

Close to 800,000[3] new SMEs are formed every year, adding a steady stream of demand that has no existing insurer relationship to defend.

Cover limits are often not enough

Only 60%[2] of claims made by SMEs were paid out in full, likely owing to the growth trajectories of SMEs, meaning it is imperative to update cover more regularly.

Note(s): (1) Consumer Intelligence (2025); (2) Public First & ABI (2026); (3) Money.co.uk (2026)

AI as the catalyst

Step change in underwriting speed

AI-driven underwriting is directly attacking the economics that kept SME out of reach. Faster processing is changing the profitability equation for insurers who can now write a broader set of risks

Simplified ingestion of needs and product matching

AI-assisted onboarding journeys will greatly reduce the barriers to ingesting a complex set of needs; opening the door to converting unstructured prospect information into a digestible format, so underwriters can build greater product modularity.

Improved customer understanding and interactions

Large Language Model (LLM) search and AI summaries are evolving the way prospects digest information and breaking down the perceived complexity of insurance products.

Clear proof points

70%

Reduction in time to underwrite[1]

20%

Share of web search completed via LLMs or AI summaries[2]

Note(s): (1) Databricks (2025); (2) Alpha FMC analysis

Unlocking value with Alpha

Alpha is a management consultancy focused on delivering flexible and high-quality change, with the precision of a boutique and the impact of a market leader.

Insurance

Dedicated industry specialists with deep domain expertise across SME and broader commercial insurance

Strategy and Deals

Experts in product strategy to find your place and define right to win in the market

Agency

Marketing specialists who bring propositions to market and deliver tangible results

Contributors



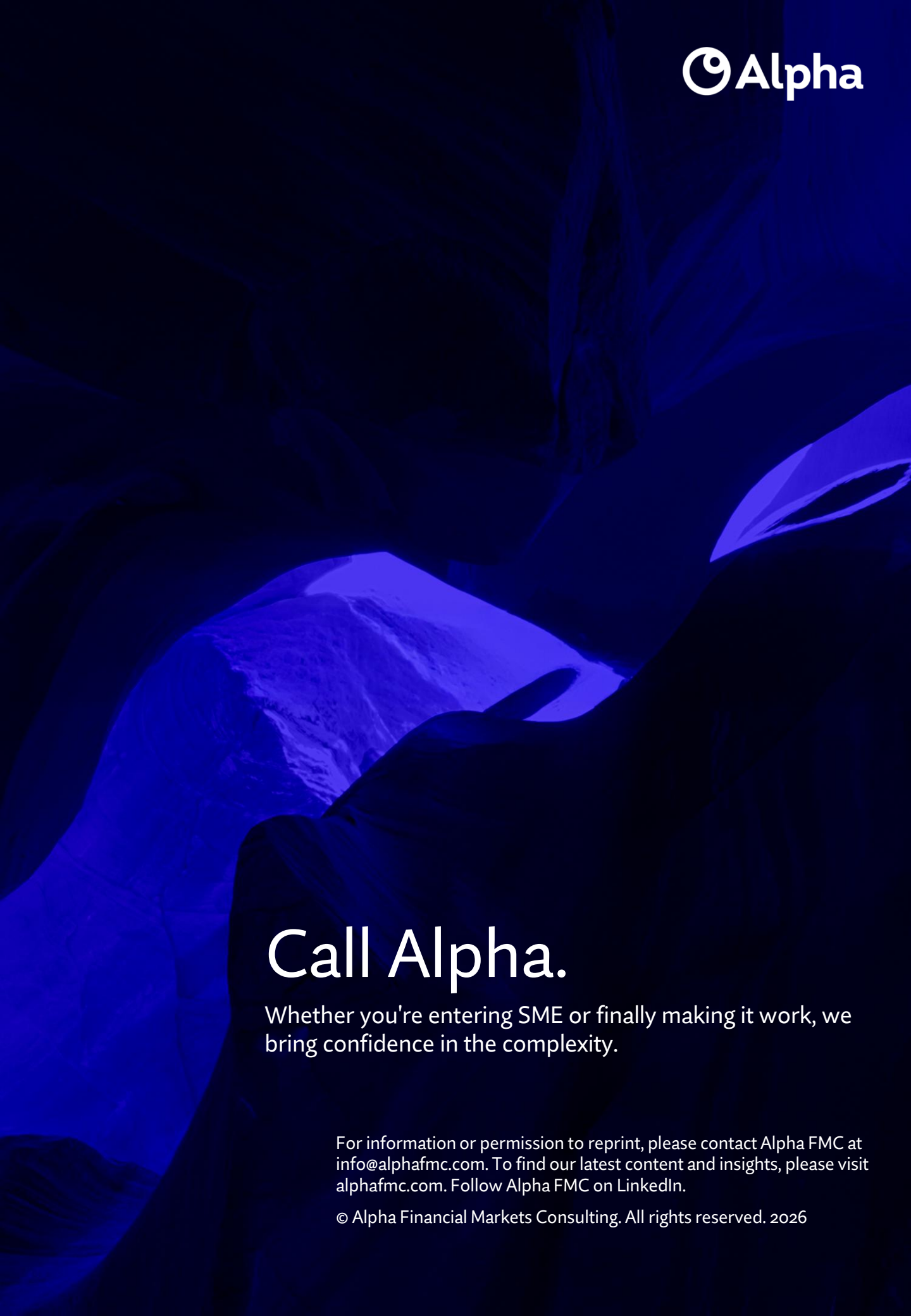
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