


SME INSURANCE INDEX **2015**



03	Introduction
04	Executive summary
07	The research
08	The findings
32	Demographics of respondents
34	Sample sizes and weighting approach

Introduction

Change, as the cliché goes, is one of the few constants in life, and there is no doubt that we are living through times of unprecedented transformation. The astonishing advances we are witnessing in technology are having an impact on all parts of society and business, and insurance is no exception.

Identifying the impacts these changes will bring and understanding what they mean will enable brokerages to plan for the future. While brokers and brokerages know their own clients better than anyone, it is more challenging for them to see the broader trends and dynamics of the industry. Yet understanding these changes has never been more important as we witness significant shifts in the way small and medium businesses think about insurance.

This is why Vero has developed the fourth edition of the Vero SME Insurance Index (the Index). The research is designed to track data, identify insights and illustrate the challenges and opportunities presented by the small to medium enterprise (SME) insurance segment. It looks at the attitudes and needs of those who make decisions concerning insurance for SMEs and their responses to the broader economic and business environment.

In the course of this research, we interviewed over 1,500 small and medium business owners and decision makers across Australia – a highly diverse and representative mix of businesses from micro to medium, metro and regional, young and old, male and female, in every state and territory and across a large range of industry sectors.

No two businesses are the same, and the individuals we spoke to bring with them their own unique experiences and perspectives. We have consolidated their individual stories into six key insights about SMEs and insurance and illustrated the insights with narratives and quotes from a sample of our respondents.

These insights once again confirm, challenge and shed light on some widely held views on the direction the industry is following in the context of ever-increasing change. They present a picture of how SME decision makers view the value proposition that brokers provide and define a set of strategic challenges for the industry moving forward.

The insights in this report will help build a deeper understanding of commercial insurance in Australia. Through understanding how SMEs approach insurance, we will have a more meaningful perspective of the challenges facing the commercial insurance industry and be better equipped to meet them.

Executive summary



The findings of the Vero SME Insurance Index 2015 reflect an insurance environment in the grips of significant evolution.

There is clear evidence of the impact that major change is having in insurance, from the evolving attitudes of newer broker clients to the role the internet is playing in the search and purchase process.

Technology is a major enabler of these changes. The increasing prevalence of the digital channel is having a substantial impact on the way business owners and decision makers buy their insurance, with many now embracing the potential of the internet to find a better deal.

But more than this, technology is making it easier to find information about insurance, meaning that businesses of all sizes feel more empowered than ever before. Even if they do not make their final purchase online, business owners and decision makers are using the internet to search for providers, evaluate options and share information with their networks. Consequently, many modern business insurance customers are embracing the opportunity to take a more involved role in the insurance process, and we have seen a big increase in the numbers of SMEs who claim to want to personally research their insurance.

Generational change is a big part of this story. Unsurprisingly, the new generation of business owners bring a new set of attitudes, ambitions

and concerns, and this is impacting the way they approach insurance. They are digital natives and their comfort in the online world means that they appreciate, and indeed expect, that they should be able to deal with their insurance in this space.

However, it is not just their comfort with technology that sets them apart. Attitudinally we find that they are also eager to be involved, confident in their understanding, somewhat cynical and very price conscious. This means that the insurance industry as a whole and brokers in particular need to adapt to new styles of interacting with customers, for example providing more detailed analysis and evaluation of different options, or having more conversations about price and the value of insurance coverage.

While many of these changes are heralded by the younger generation, we are seeing an increasing number of older business owners, particularly older males, becoming more inclined to use technology in the insurance process. This traditional broker audience is now significantly more likely to say they use the internet to research their insurance options before buying and are now far more willing to forego personal contact to get a better price.

The insurance industry as a whole needs to adapt to new styles of interacting with customers.

These attitudinal shifts in the traditional broker audience are being reflected in broker usage, and again this year we have seen a drop in the number of business owners and decision makers claiming to have used brokers for their most recent insurance purchase. This decline is particularly strong amongst males and older business owners, suggesting that even the late adopters are becoming comfortable with new ways of doing business.

The need for, and relevance of, the skills that brokers bring is stronger than ever.

For all generations, pricing remains a top of mind issue, and once again the Index has found that a majority of business owners believe their insurance premiums have risen over the past year, with large increases anticipated over the next year. This belief is at odds with much of the industry evidence of extensive price discounting, serving as a strong reminder that perceptions can be more powerful than reality when pricing is concerned.

While the decline in broker usage is concerning, the need for, and relevance of, the skills that brokers bring is stronger than ever. Informal sources of insurance advice are widely used, meaning that brokers need to communicate the expertise they bring and educate business

owners that they frequently “don’t know what they don’t know” when it comes to a complex issue like insurance.

The fundamentals of broking in this country are very strong. Once again we have found that over 90% of broker clients are either satisfied or somewhat satisfied with their broker, a number that has stayed consistently strong since the Index began in 2012. An analysis of the specific tasks that brokers undertake suggests that, in general, brokers are delivering well on the things that are most important to clients.

The areas of greatest opportunity for brokers are added value tasks such as providing more in-depth analysis and keeping track of business changes and risk situations. These tasks are reflective of the expertise that brokers bring and are an opportunity for brokers to stand out as insurance professionals with specialist expertise.

Change is the overriding theme of the Vero SME Insurance Index in 2015. With change certainly comes risk, but more importantly opportunity and the chance for businesses to evolve and grow. To do this, brokers would benefit from understanding the dynamics and evolving attitudes and behaviours of their audience. Vero is committed to partnering with brokers to identify insights, strategies and tools to build on the strong foundations of the broking industry and emerge stronger and well equipped for an exciting future.

Over 90% of broker clients are either satisfied or somewhat satisfied with their broker.



The research

This report is based on research involving over 1,500 business owners and decision makers from around Australia. The research was independently* conducted in two stages:

Stage One: Quantitative Survey

A nationwide online survey of 1,502 business owners and insurance decision makers was conducted, covering a range of business types, locations and sizes. The survey was conducted during September 2014 and the data was weighted by state and organisational size to current Australian Bureau of Statistics (ABS) data.

The survey covered:

- ▶ general business sentiment
- ▶ attitudes towards insurance
- ▶ insurance purchase process
- ▶ purchase channel (broker or direct)
- ▶ attitudes towards insurance brokers
- ▶ expectations and impact of prices changes
- ▶ demographics.

Respondents were screened to ensure that they were responsible for making insurance decisions at their businesses. Quotas around state and business size ensured that representative samples were obtained.

Businesses were divided into three groups, following ABS standards:

Micro

Businesses which employ 1 to 4 individuals.

Small

Businesses which employ 5 to 19 individuals.

Medium

Businesses which employ 20 to 199 individuals.

Stage Two: In-Depth Qualitative Interviews

A series of interviews was conducted with 12 SME respondents representing a mix of business sizes, types, attitudes to insurance, insurance purchasing channels and demographics. These sessions were held at respondents' workplaces during January 2015.

The findings

The analysis of
the research results
identified six key findings.



01

There is a new generation of broker users – tech savvy, involved and price conscious.

02

Many direct buyers are considering using a broker and will turn to online search and personal networks to find one.

03

Broker use is down overall as traditional broker audiences embrace changing ways of doing things.

04

Pricing is top of mind, and influences the behaviour of many insurance buyers.

05

Expertise is highly valued, yet informal sources of advice are prevalent.

06

Overall, broker clients remain satisfied and are looking for deep relationships that provide them with access to specialist risk expertise.

Each of these findings will be explored in detail in the following pages of this report.

FINDING 01

There is a new generation of broker users – tech savvy, involved and price conscious.

Trudi is the founder and director of a book-keeping and financial services company that in just eight years has grown from a sole trader to employing over 20 people. Her industry has been impacted by the digital revolution as accounting increasingly moves to cloud based solutions, and therefore she is comfortable online and very aware of the importance of technology. Insurance is very important to her and she highly values the expertise of her broker. Trudi and her broker have a strong, collaborative relationship and work together at renewal time to review the business's insurance and look at options for the year ahead. She expects her broker to be proactive, particularly in terms of exploring different insurance options and, while she doesn't want cheap cover, they regularly discuss the price of her insurance to ensure her business is getting good value.

“

I'll challenge my broker on things and he'll go away and get various quotes, products and pricing for me. We'll then go through it and work out which insurance product is really the right product for us. ”



The behaviours and attitudes of newer broker users give us a strong insight into the changing attitudes of business owners.

The majority of broker users in Australia are long-term clients, with over two thirds claiming to have used a broker for more than three years. However, while newer broker users (those who have used a broker for less than three years) are still smaller in number, the behaviours and attitudes they display give us a strong insight into the changing attitudes of business owners and the factors that will drive the insurance industry in years to come.

Unsurprisingly, this newer user group brings with it some markedly different attitudes towards insurance, and much of this stems from their native understanding and usage of the internet (see Figure 1).

Some of it is also driven by age – this group is more likely to be younger, with 37% of newer users being less than 40 years old (which is a significantly greater proportion than for longer term broker users, of whom only 14% are under 40) (see Figure 2).

Newer users tend to be more highly involved in the insurance process, and use the internet to facilitate this. For example 53% of these new users agree with the statement “I personally research the insurance needs of the business”, compared to only 42% of total broker users. Similarly, 56% agree that “I use the internet to research my insurance options before buying” compared to only 39% of total broker users.

Figure 1

Research behaviour and internet usage of new clients

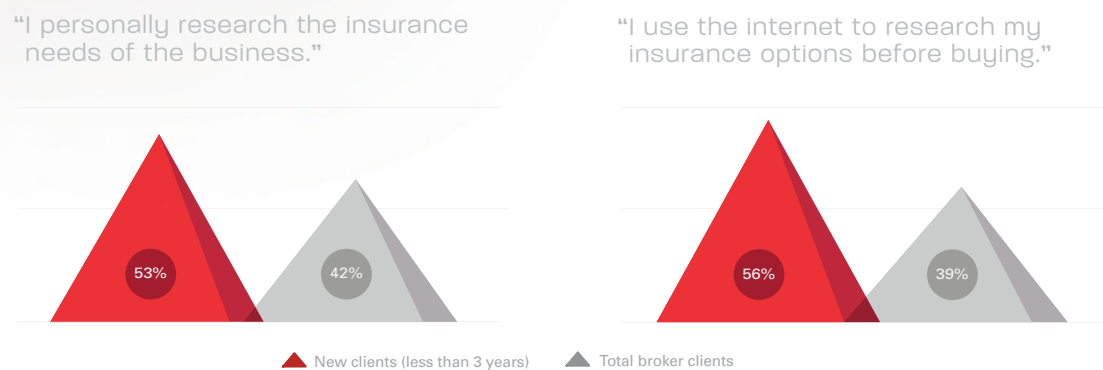
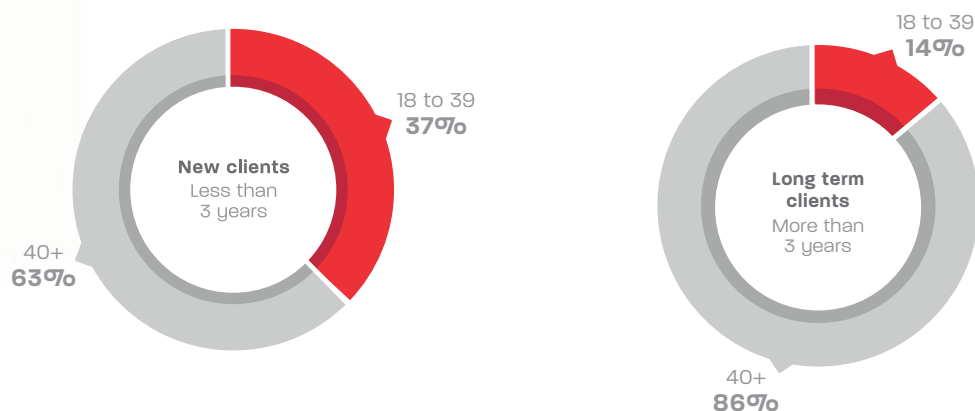


Figure 2

Age breakdown by new and long-term broker clients

18 to 39 year olds make up a much greater proportion of new broker clients than longer term clients.



Price is a key driver for many of these new users and, once again, the internet plays an important role for them in ensuring they get the best price. Over half of this group (53%) claim that price is the most important concern for them when buying insurance and 39% suggest they would be willing to forego personal contact to get a better price. 40% of them think that buying insurance online is a great way to get the best price (see Figure 3).

These new client-broker relationships have had less time to become established and therefore are more tentative and less committed than longer term relationships. New users are a little less likely to be satisfied with their broker (63% claim to be satisfied, compared to 68% of total broker users). They are also less likely to rely on their broker for insurance information (76% compared to 82% of total broker users). This means they need more attention to ensure that over time they become loyal, “rusted on” broker users.

Figure 3

Price is a key driver for new broker clients



Things for brokers to consider

There is a need for brokers and brokerages to review the way they do things to better meet the needs of these newer broker users. Brokers can consider:



Use of technology

A strong online presence is critical; consider online / digital tools, mobile presence.



Involvement and information

These business decision makers want to be involved; consider sharing more information and analysis with them.



Price

Have conversations about price with newer clients to drive perceptions that they are getting better value through brokers (see Finding 4).

FINDING 02

Many direct buyers are considering using a broker and will turn to online search and personal networks to find one.

Jed is the manager of a growing business that exports plant seeds and seedlings to overseas markets. Since the business started, Jed has organised insurance directly through the insurer and didn't even think about using a broker when the business was established. However, he is not totally happy with his current insurance arrangements and may consider using a broker in the future because he believes that the expertise of an insurance professional could bring him peace of mind, knowing that he has the correct insurance. He regularly uses the internet to find out information about insurance (and other business matters) and would naturally look online to find the right broker. In particular, Jed regularly uses online forums and would look for advice and recommendations from similar businesses. In the end, he would like to choose a broker who could get him a great deal, but more importantly, a broker with a strong reputation that he could trust.

“

I would consider using a broker because I'm not overly confident about my insurance. There's a lot of small print and you don't really know what you're covered for.”



As we saw last year, many business owners and decision makers who currently buy their insurance direct are open to the idea of using an insurance broker in the future, with 35% saying they would either “definitely” or “maybe” consider using a broker (equal to last year).

This suggests that there is strong scope for growth for brokers through attracting this large pool of potential new customers.

While those considering using a broker can be found in all types of businesses, younger business owners are more likely to be considering using a broker. 35% of 18 to 39 year olds claim to be considering using a broker, which is proportionally higher than their 40+ counterparts. Medium sized businesses are also more likely to be considering using a broker than smaller businesses.

So, how can brokerages best go about attracting these potential new audiences? According to the findings of this year’s Index, the single most important factor is having a strong online presence. When those considering using a broker were asked how they would go about finding a broker, online search was the strongest source by far with 60% of considerers citing this.

Recommendations came next, either from colleagues / friends / family (39%) or business advisors such as accountants (35%). Traditional methods such as Yellow Pages and advertising are considerably less influential, as is social media (see Figure 4).

These findings suggest that brokerages need to consider investing in their online presence, not only through a strong website, but also using methods such as search engine optimisation (SEO) to ensure they have a good presence when prospective clients turn to online search to find a broker.

These findings also highlight the criticality for brokerages to cultivate referral networks amongst their clients and business contacts.

This year’s Index explored what characteristics are most important for these “considerers” when choosing a broker. Relevant experience is highly influential, mostly being able to demonstrate understanding of specific industries (44%). Once again, personal recommendation (41%) and a strong focus on pricing (42%) are important factors for considerers (see Figure 5).

Figure 4

Sources used by ‘considerers’ to find a broker

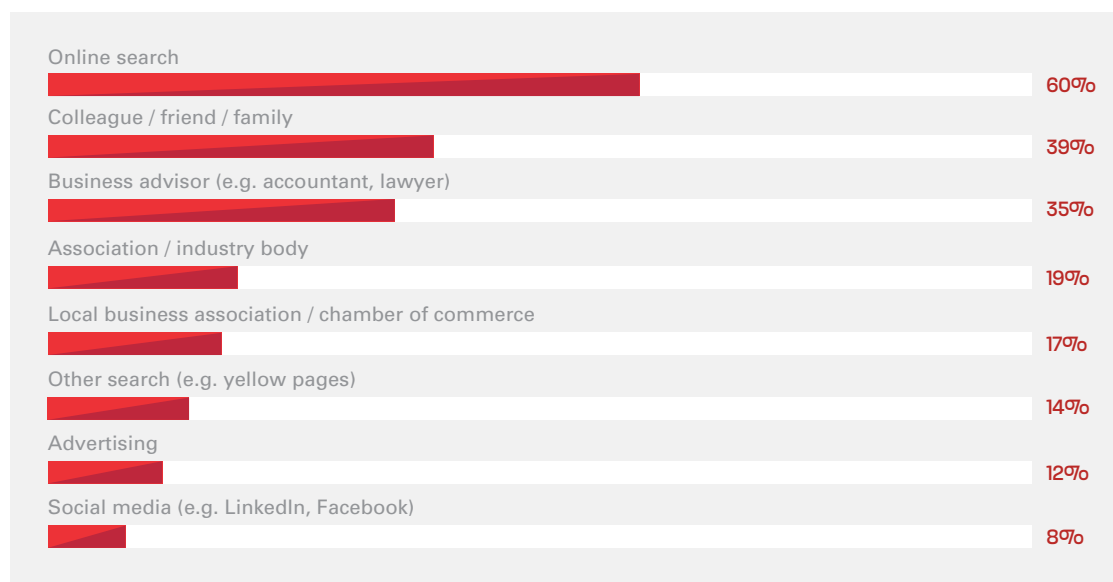


Figure 5
Important characteristics when choosing a broker

Relevant experience	Someone with experience in / understanding of my industry: 44%	Someone with experience in the type of coverage I am interested in: 38%	Someone with experience working with businesses of similar size: 34%	Someone with long experience: 33%
Word of mouth	Recommendation from someone I know and trust: 41%			
Pricing	Strong focus on getting the best price: 42%			
Credentials	Testimonials from other businesses: 22%	Industry endorsements: 18%	Academic qualifications: 11%	Award winning: 9%
Personal characteristics	Local: 30%	Someone I can easily relate to / strong interpersonal skills: 27%	Professional presentation / image: 22%	Someone who is a similar age to me: 3%
Technology	Ability to transact online: 20%	Use of mobile technology: 9%		

Things for brokers to consider



Scope for growth

There is great scope for broker growth through converting direct clients who are considering using a broker.



Online presence

Considerers are more likely to go online to find a broker, meaning that developing and maintaining a strong website and search engine optimisation is critical.



What are considerers looking for?

Considerers are looking for relevant experience and referrals most of all:

- > Brokerage experience is the most important message to communicate.
- > Encouraging referrals from existing satisfied clients is very important.

FINDING 03

Broker use is down overall as traditional broker audiences embrace changing ways of doing things.

Siddarth is a medical specialist who co-owns a suburban medical centre and day surgery. He juggles a busy patient schedule with running the business side of the practice, and in recent years has embraced online methodologies to facilitate this where possible. When he first set up his practice he used brokers to purchase insurance, but he wasn't satisfied with the experience and now purchases his insurance direct. The prevalence of insurance information online makes buying direct a very attractive option for him. He likes to understand the details of his coverage well to ensure that he is getting the right level of insurance for his practice and also to ensure that he fully understands the exclusions and conditions. Siddarth also values being able to personally negotiate with the insurer to get the best possible price. He frequently uses cost comparison websites, online forums and other websites to get information, and also looks to peers and colleagues for information.

“

I feel confident when it comes to managing my insurance. I frequently research insurance online and I chat to other doctors to find out what they're buying.”



The decline in broker use coincides with an increased tendency to become more involved in the process and to use the internet.

When asked how they purchased their last insurance policy, 44% of SMEs claim to have used a broker, down from 50% last year.

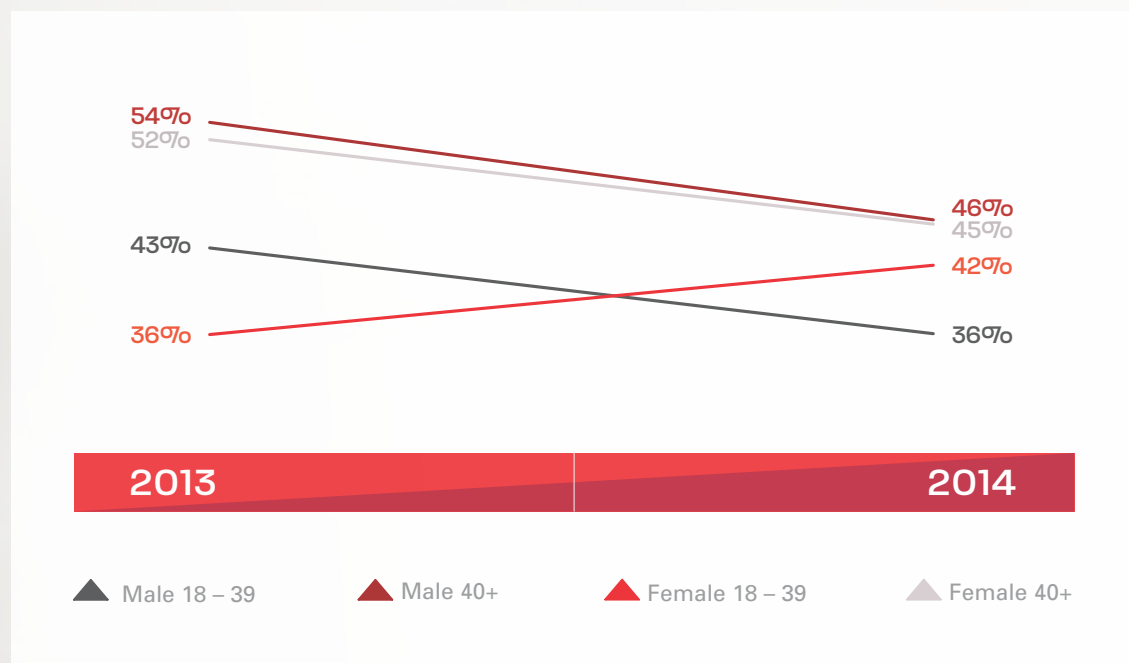
When these changes are examined in more detail, it can be seen that this decline is being driven by two groups – males and business owners over 40. In 2013, 54% of older male business owners and decision makers used brokers to buy their insurance. The proportion

declined to 46% in 2014 (see Figure 6).

These changes are especially significant given that males and the over 40s have traditionally been brokers' strongest users.

The decline in broker use amongst these groups coincides with some marked changes in attitudes and behaviours and, in particular, an increased tendency to become more involved in the process and to use the internet.

Figure 6
Nett broker usage by age and gender



In 2014, 60% of business decision makers aged 40+ claimed to personally research their own insurance, and 54% used the internet to research their insurance options (an increase of 12% since 2012) (see Figure 7). These same attitudes have remained relatively flat amongst

females and 18-39 year olds, suggesting that we are witnessing a “late adopter” effect, in which males and over 40 year olds are embracing new ways of doing things that have already largely been adopted by their female and younger peers.

Figure 7

Internet usage and research habits of business owners by age and gender

“

I use the internet to research my insurance options before buying.”

	2012	2013	2014	% change
Female	51%	53%	56%	5%
Male	43%	55%	57%	14%
18 – 39	64%	66%	65%	1%
40+	42%	50%	54%	12%

“

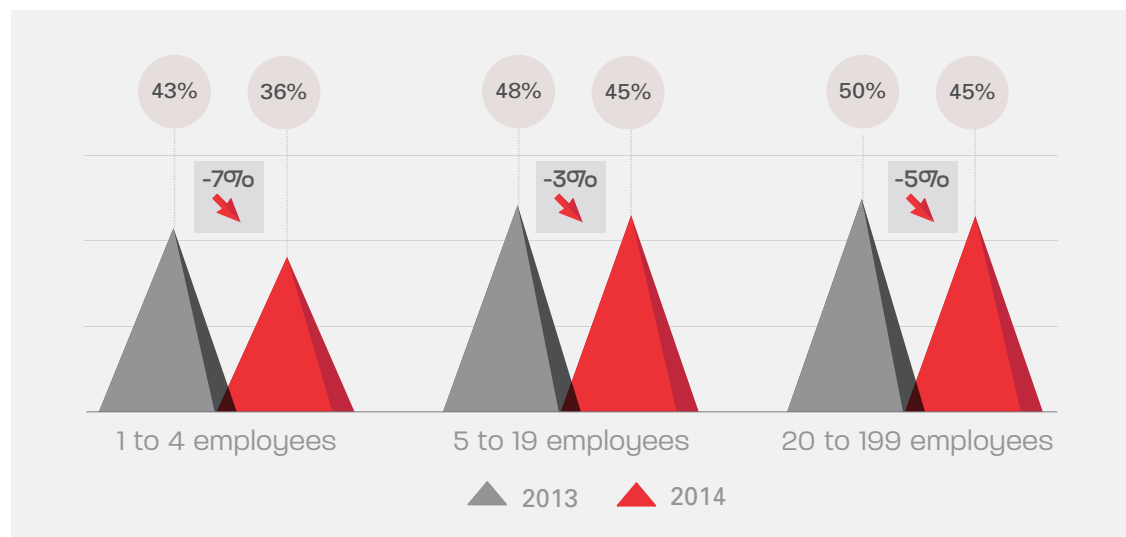
I personally research the insurance needs of the business.”

	2012	2013	2014	% change
Female	59%	57%	61%	2%
Male	51%	56%	61%	10%
18 – 39	64%	60%	63%	-1%
40+	52%	55%	60%	8%

Business size has always been a strong influencer of insurance channel, and small (5 to 19 employees) and medium (20 to 199 employees) sized businesses are more likely to use brokers than micro businesses (1 to 4 employees). However, it is important to note that while the decline is largest in the micro businesses, larger businesses are not immune to the benefits offered by purchasing directly from the insurer (see Figure 8).

So what is stopping direct buyers from using brokers? As we've found in previous years, this is largely due to business peoples' desire to do it themselves, and a lack of awareness of the benefits that brokers bring. This year 54% of direct users claim that they can do it easily enough themselves, while 35% don't want to deal with a middle man and 27% don't see the benefit in using a broker. This suggests that there continues to be a need to explain the value that brokers can deliver to their clients.

Figure 8
Broker usage by employee size



Things for brokers to consider



Changing landscape

As technology becomes more mainstream, and even the late adopters embrace the internet, the landscape is changing for all industries, including broking.

This means that even brokers' traditional audiences (males and older business owners) are becoming more likely to buy their insurance direct as they become more comfortable with different ways of doing business.



How can brokers stem the flow of this core audience?

- 1 Consider new and evolving ways of doing business that reflect the growing trend towards greater involvement and internet usage. For example:
 - > Increased usage of online and mobile channels
 - > Provision of more detailed analysis and information, so that clients feel more involved in the process
- 2 Ensure that all audiences understand the benefits that brokers bring – push the broker value proposition.

FINDING 04

Pricing is top of mind, and influences the behaviour of many insurance buyers.

Roberto is the founder and director of an online leather fashion and lifestyle brand. Founded in 2008, the business started in Australia and has emerged into global markets. As an entrepreneur wearing 'all the hats', his responsibilities include keeping a close eye on cash flow. He is value-driven and goes out of his way to ensure he always gets the best deals – including in his business insurance. Roberto purchases his insurance directly from the insurance company. He believes there is a vast amount of competition in the insurance market and will spend time researching the best prices to use as a negotiation tool to lower his premiums. The internet has made finding and comparing prices very easy. He will continue to seek the best prices because he believes the only way for insurance prices to go is 'up'.

“

Price is really important when choosing insurance. As a small business owner, you're always working on a budget. You need to make sure that you're correctly covered, but at the same time, getting value for money.”



Customers' belief that insurance prices will keep rising at a rapid rate appears to be driving some increasingly price conscious attitudes and behaviour.

Pricing has been a hot topic in insurance in recent years, and the Vero SME Insurance Index has discussed the impact of higher pricing on SMEs in earlier editions.

This year, business owners and decision makers again report higher insurance prices. In fact, 54% report that their insurance premiums have risen over the last 12 months, while only 9% claim to have paid lower premiums (see Figure 9). They expect this to continue, with 60% expecting prices to rise over the next 12 months, and only 4% expecting them to be lower (see Figure 10). Of those expecting a price rise, half anticipate a substantial price rise of at least 6%.

This data, which suggests a continuation of the price growth experienced over recent years, is at odds with insurance industry reality. The past year has been notable for the sharp change in pricing direction, with extensive price discounting

and premium reductions having an impact on revenue across the industry. Clearly there is a gap between insurance customers' perceptions and reality, and this story of slowing price growth is yet to be noticed by business owners and decision makers.

At the same time, customers' belief that insurance prices will keep rising at a rapid rate appears to be driving some increasingly price conscious attitudes and behaviours. In particular, one of the key attractions of the online channel is the role it can play in helping insurance customers get a sharper price for their insurance. This year, 42% agree with the statement "I think buying insurance online is a great way to get the best price," up from 34% just 2 years ago, while 41% claim to be willing to forego personal contact if they can get their insurance a bit cheaper, up from 34% two years ago.

Figure 9
Perceived price changes
over the last 12 months



Figure 10
Perceived price changes
over the next 12 months

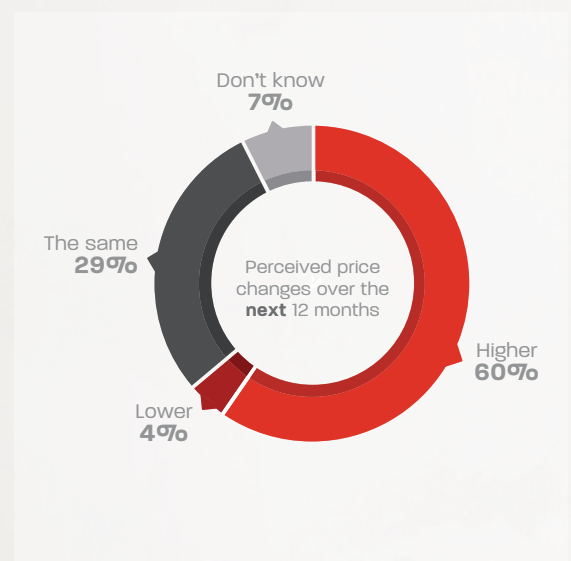
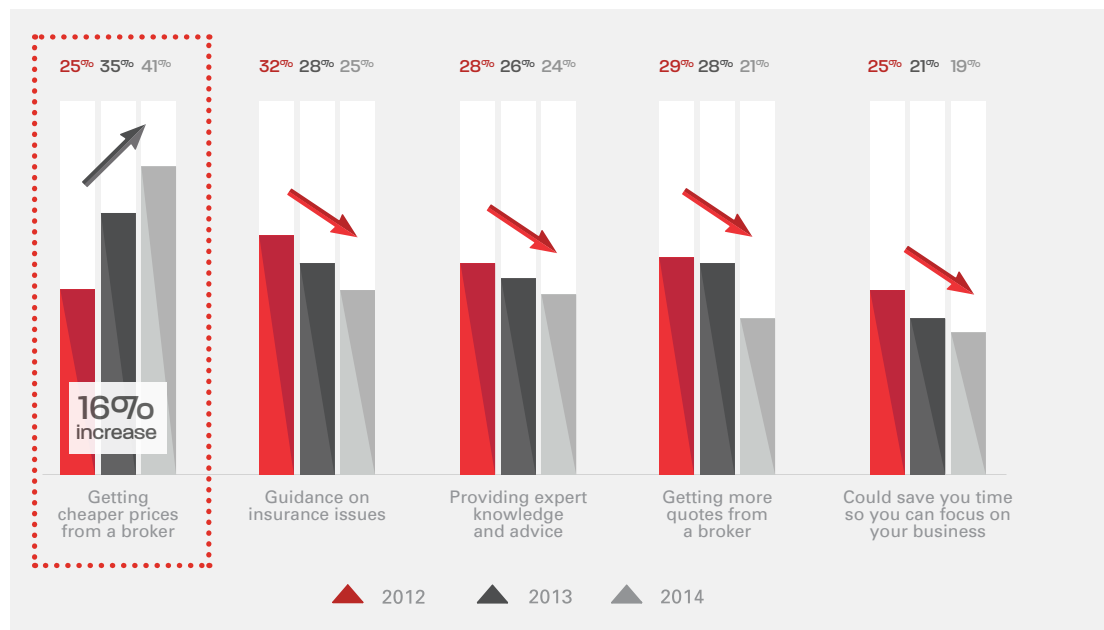


Figure 11

Top 5 potential drivers for direct clients to use a broker



Significantly, price is the single biggest trigger that direct clients say would persuade them to use a broker. This year, 41% of direct clients say they would prefer to use a broker if the broker could get them cheaper prices, which has jumped from just 25% two years ago (see Figure 11). This suggests there is a role for brokers to talk to prospects about pricing and, as discovered in previous surveys, challenge the lingering perception that it costs more for customers to buy their insurance through a broker.

Meanwhile, price discounts are a desired, short-term solution for business owners and decision makers who believe that insurance prices continue to rise. Half of the respondents in this year's Index claim to be either highly likely or quite likely to ask for a discount on their insurance. This behaviour is seen across all business sizes and types, and across all age groups and genders. However, significantly more broker clients (57%) are likely to ask for a discount than direct clients (46%), suggesting that the personal contact provided by the broker makes considering asking for a discount easier.

Things for brokers to consider

It's not a question of brokers focussing more on offering lower prices – it is about customer perceptions.



The answer may lie in explicitly pointing out to clients when premiums have been reduced, or explaining to prospective clients (especially younger buyers) the type of cost reductions they may get.



Brokers should be prepared to deal with requests for discounts, and make the most of closer relationships to have ongoing conversations that build perceptions of price advantages.

FINDING 05

Expertise is highly valued, yet informal sources of advice are prevalent.

Alexia and her partner own a company that manufactures and installs glass pool fences, balustrades, shower screens and splashbacks. They have used a broker since they started in business but they are about to embark on a full review of their insurance. Alexia is looking for a broker to bring insurance expertise to her business, and wants her broker to present her with detailed analysis and options that are tailored to her business – and possibly a better price. However, she currently has limited contact with her broker and wonders whether she may be able to use her own research and a direct insurer to get a better insurance outcome. She regularly uses search engines to find information about insurance as well as word of mouth from peer companies to help make her insurance decisions.

“

We get a lot of insurance information from other builders. It's good for us because they are in the same field, same industry, and we can compare the insurance they have with what we have, and from there figure out what's best for us. ”

Brokers need to consider the influential role that friends and informal networks can play.

The strong professional expertise that brokers bring is a key reason for looking for and using a broker.

As the Index has identified in previous years, many broker clients describe expertise as a key benefit of using a broker. This year, 49% of broker clients claimed that the expert knowledge and advice their broker provides is one of the main reasons they work with a broker, and 46% referred to the peace of mind that results from knowing their broker provides them with the correct insurance.

This expertise is also appealing to business owners and decision makers who buy their insurance direct from the insurer. When asked about potential factors that would persuade them to use a broker, expertise ranked highly with only price being seen as more important – 25% would value guidance on insurance and 24% would value the provision of expert knowledge and advice. This suggests that expertise is a relevant message brokers should communicate to potential clients. When these potential clients are asked what characteristics they would look for in a broker, expertise ranks highly. 44% would look for someone with experience in or understanding of their industry, while 38% would value someone with experience in the type of coverage they are interested in (see Figure 12).

Figure 12

Expertise ranks in the top five characteristics considerers look for in a broker

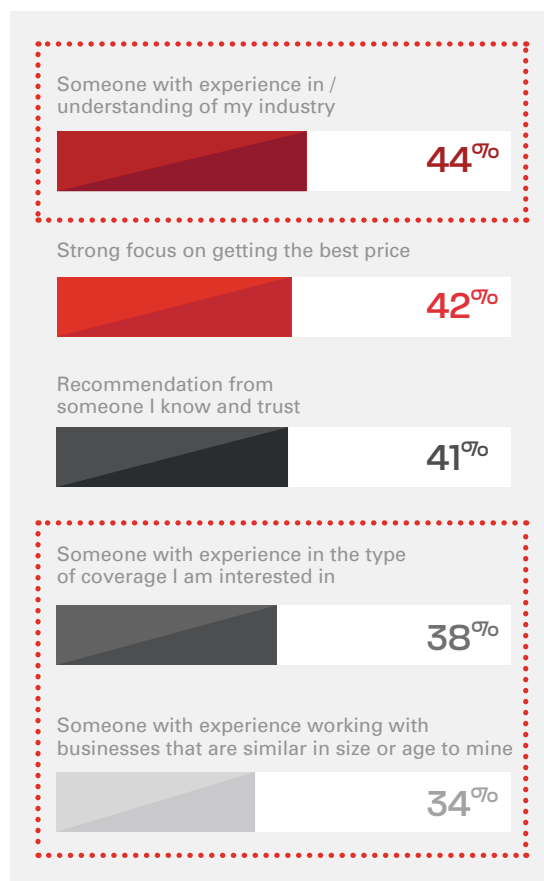


Figure 13
Sources of insurance information

	2012	2013	2014	% change 2012 – 2014
Broker	49%	41%	31%	-18%
Insurance company	36%	37%	31%	-5%
Accountant / bookkeeper	32%	30%	32%	0%
Fellow business people	30%	31%	31%	+1%
Friends	16%	17%	22%	+6%
Business planners / financial advisors	12%	13%	11%	-1%
Employees / colleagues	11%	10%	12%	+1%
My industry association	Not surveyed	Not surveyed	19%	N/A

The need for expertise in what is a complex industry appears to be understood, and yet business owners and decision makers are increasingly turning to informal sources of information about insurance. In particular, in 2014, 22% claimed to get insurance advice from friends, up from 16% in 2012. At the same

time, the numbers seeking information from brokers or insurance companies has declined significantly (see Figure 13). This is supported by anecdotal evidence suggesting that the level of misinformation about and misunderstanding of insurance is very high, and that there is a significant risk of underinsurance as a result.

When current broker clients were asked which source was the most influential in their decision to use their broker, **friends, family and colleagues** came out on top.

So who is most likely to turn to friends for insurance advice? The most strongly inclined group are direct clients who are considering using brokers, 38% of whom claim to get information from friends. Direct clients in general are also more likely to seek information from friends (29%), as are younger business owners (34%). All of these groups are a strong source of potential clients for brokers, and therefore this suggests that brokers need to consider the influential role that friends and informal networks can play.

Significantly, these informal networks also play an important role in business owners' search for brokers. When current broker clients were asked which source was the most influential in their decision to use their broker, friends, family and colleagues came out on top at 34%, followed by business advisors on 27% (see Figure 14). Similarly, 38% of direct clients said that they would turn to friends, family and colleagues to find a broker, which is second only to online search at 57%.

Figure 14

People or sources of information that influence the decision to use a broker

Colleague / friend / family	34%
Business advisor (e.g. accountant, lawyer)	27%
Association / industry body	14%
Online search	9%
Local business association / chamber of commerce	5%
Advertising	3%
Other search	2%
Social media (e.g. LinkedIn, Facebook)	1%

Things for brokers to consider

Brokers have a clear advantage in the insurance expertise they bring, and this is a key reason for using brokers.

The prevalence of informal sources of insurance information and a general lack of insurance understanding means that many business owners risk making incorrect decisions.



How can brokers remind clients why they need expertise, reinforcing brokers' reputations and expertise?

Informal networks are also a powerful source of referral for non-broker clients. How can brokers leverage the power of these informal networks?

FINDING 06

Overall, broker clients remain satisfied and are looking for deep relationships that provide them with access to specialist risk expertise.

Roslyn is the financial controller of a large, well-established truck repair business. Insurance is very important for this business, and Roslyn has always relied on the expertise of a broker to manage the business's insurance needs. A recent, complex claims experience has highlighted the importance of having a broker, as her broker played a very important role during the lengthy, often challenging claims process. She is highly satisfied with the responsive and expert customer service she receives from her broker, and greatly appreciates the industry understanding and expertise he brings to her business. At the moment, she mostly hears from her broker at renewal time when he conducts a full review of the business's insurance. While this is working very well, she thinks the business would get even greater benefit from additional, occasional on-site visits, so that her broker could better understand the business and make more proactive suggestions.

“

I couldn't wish for a better broker. I'm so grateful for his service, understanding, and responsiveness. I love it. Absolutely love it.”

Added value tasks are the best opportunity for brokers to go above and beyond clients' basic needs to deliver a truly proactive and valuable service offer.

One of the consistent findings over the four editions of the Vero SME Insurance Index to date has been the high levels of satisfaction broker clients report with their brokers. This year, 91% of broker clients report being satisfied or somewhat satisfied, which is in line with last year's result (see Figure 15).

While clients report being satisfied, the Index found again that many clients would like to have more contact with their broker than they do at present, with 63% preferring to hear from their broker at least twice a year (see Figure 16). Relationships are clearly very important to broker clients and, in these changing times, they cannot be taken for granted.

Figure 15
Broker client satisfaction

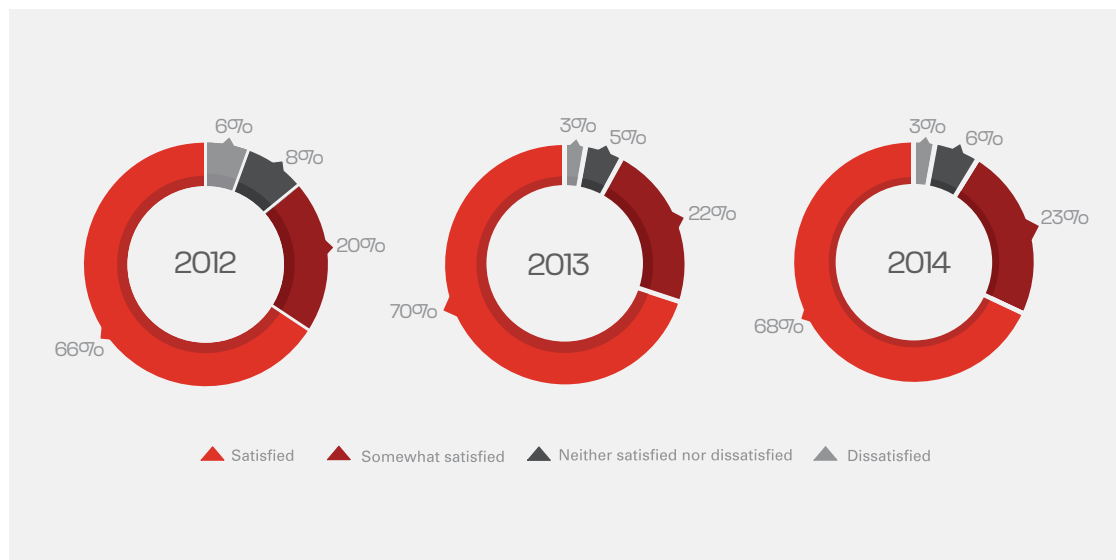
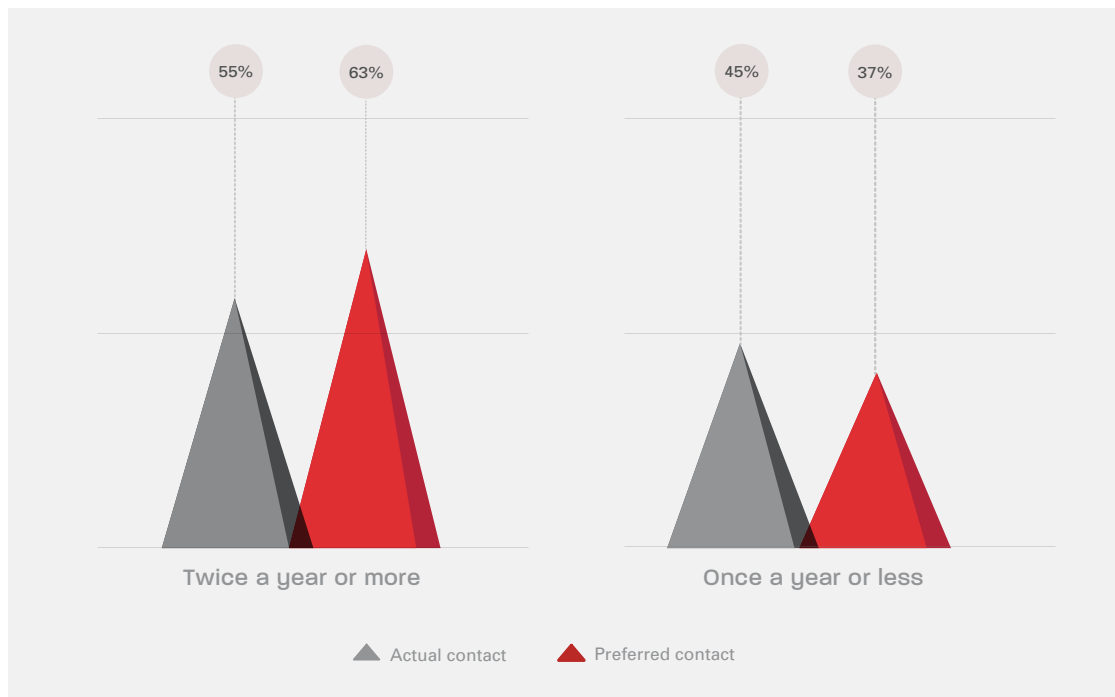


Figure 16
Preferred frequency of contact



So what do clients expect from their broker? This year, for the first time, the Index asked broker clients what tasks their broker undertakes for them, and which tasks are most important. Comparing the tasks undertaken with what is most important reveals three key groups of tasks (see Figure 17):

Essential tasks

These are important tasks that are delivered by the majority of brokers. This includes things like admin and paperwork, claims and recommending policies.

Desired tasks

These are tasks that are still important but slightly lower priority and are delivered by many brokers. This includes things like providing information on changes to insurance, advocacy and finding the cheapest policy.

Added value tasks

These tasks are again still important to clients, but slightly lower priority, and are less widely delivered. They tend to be tasks that require more analysis or specialist expertise and therefore deliver added value to clients, such as in-depth analysis and proactively checking up on business changes.

In general, this analysis suggests that brokers are generally delivering well against the services that are highest priority for clients. However, added value tasks represent the largest gap between the importance to clients and what is actually being delivered, and therefore the best opportunity for brokers to go above and beyond clients' basic needs to deliver a truly proactive and valuable service offer. These tasks are strongly reflective of brokers' expertise, and promoting them will help to set brokerages apart as experts who are able to deliver a strong, relevant offer to their clients.

Claims remain an important part of the broker relationship, with 30% of broker clients citing "resolving claims with less hassle" as a key reason for working with brokers. Broker clients

again also report being slightly happier with their claims experience than direct clients. However, while brokers clearly deliver strongly in the claims space, satisfaction with the direct claims experience is also good, and therefore claims do not appear to be a compelling reason on their own to persuade direct clients to change to using a broker.

Each edition of the Vero SME Insurance Index has found that broker clients have strong, clearly defined reasons for using their broker, and this year is no different. Once again, broker clients appreciate the time savings, expertise, assurance, customer service and competitive prices that brokers offer (see Figure 18), suggesting that the underlying broker value proposition is strong.

Figure 17

What tasks do brokers undertake, and which are most valued?



Figure 18

Reasons why broker clients choose to work with a broker

Saves me time	Using a broker saves me time, so I can focus on my business: 57%	Using a broker results in claims being resolved with less hassle: 30%	Using a broker results in claims being resolved faster: 27%
Builds assurance	Peace of mind knowing that my broker provides me with the correct insurance: 46%	So I have someone on my side when it comes to insurance: 31%	
Competes on price	I trust my broker to get me the right insurance at the right price: 55%	I get cheaper prices from using my broker: 36%	
Delivers expertise	My broker provides expert knowledge and advice: 49%	My broker knows and understands my business needs: 37%	My broker has access to better policy wording than I can get: 27%
Provides proactive customer service	My broker provides great service: 38%	Service that is personalised to my needs and the needs of the business: 32%	My broker keeps me proactively updated about insurance issues: 24%

Things for brokers to consider



Maintaining satisfaction

The good news is that most broker clients remain satisfied, but in these changing times, how do we ensure that this continues?



Client relationships

Relationships remain very important and cannot be taken for granted.



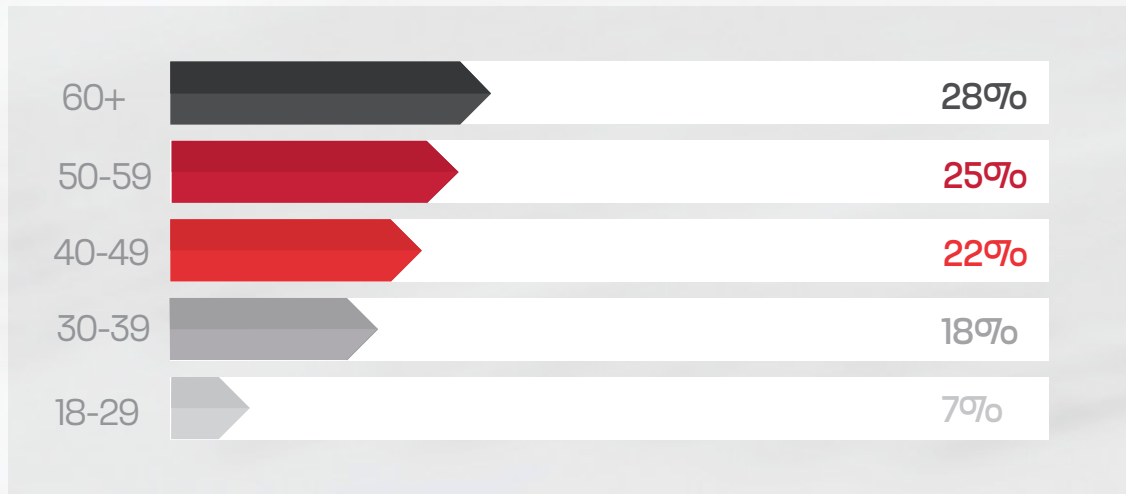
What do clients want?

Essentials, such as paperwork and claims, are already being widely delivered, therefore added value activities such as in-depth analysis and business risk review can deliver client service that exceeds expectations and help brokerages stand out for their expertise.

Demographics of respondents



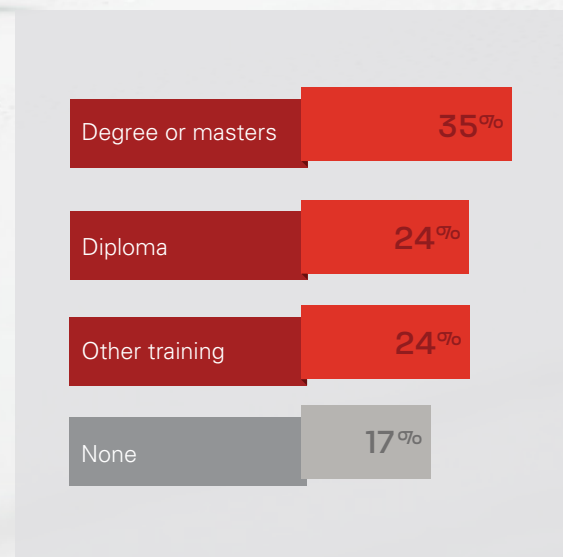
Age group



Gender



Level of business education



Sample sizes and weighting approach

The quantitative phase of the report was based on 1,502 online surveys conducted with SME businesses around Australia. These were subsequently weighted to ABS data to ensure an accurate representation of the attitudes and behaviours of all Australian businesses.

Number of employees	Sample size	ABS Population Proportion
1 – 4	812	82%
5 – 19	419	14%
20 – 199	271	4%
TOTAL	1,502	100%

State / Territory	Sample size	ABS Population Proportion
NSW / ACT	511	34%
VIC / TAS	413	27%
QLD / NT	323	21%
WA	135	10%
SA	120	8%
TOTAL	1,502	100%

Disclaimer

AAI Limited ABN 48 005 297 807 trading as Vero Insurance (Vero) has prepared this SME Insurance Index Report (Report) for general information purposes only. Vero and its related bodies corporate do not assume or accept any liability whatsoever (including liability for special, indirect, consequential or incidental damages, or damages for loss of profits, revenue or loss of use) arising out of or relating to this Report or the information it contains. Vero and its related bodies corporate do not invite reliance upon or accept responsibility for the information it provides on or through this Report. Vero and its related bodies corporate do not give any guarantees, undertakings or warranties concerning the accuracy, reliability, completeness or currency of the information provided. This Report is not a recommendation or statement of opinion about whether a reader should acquire insurance from Vero (or its related bodies corporate) or services from any insurance intermediary or otherwise alter their business arrangements. This Report is based on commissioned research by Vero and should not be used as the basis for any decision in relation to the acquisition or disposal of insurance products or the use of broker services. Readers should confirm information and interpretation of information by seeking independent advice.

For further information please contact:

Rob White

External Communications Manager

Telephone: 02 8121 0467

Mobile: 0411 881 887

Email: Rob.white@suncorp.com.au

vero.com.au

AAI Limited ABN 48 005 297 807 trading as Vero Insurance

V9290 02/03/15 A