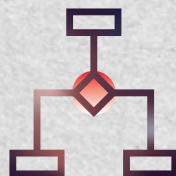
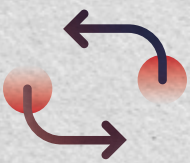
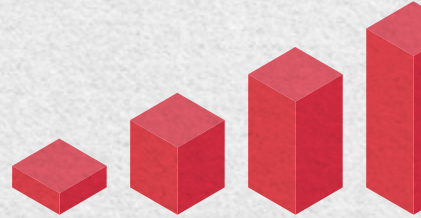
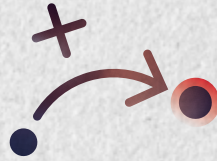


# A decade of insight

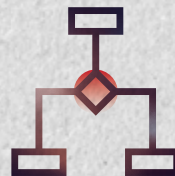
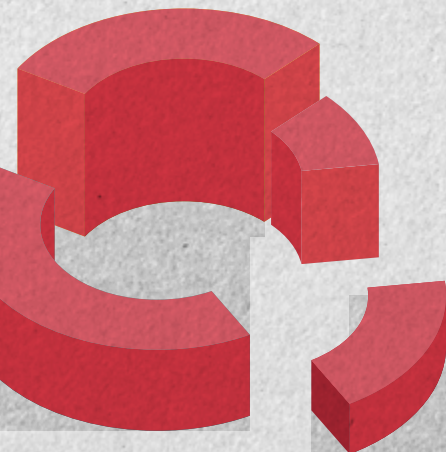






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# 10 years of market leading insights



10 years is a significant milestone in many walks of life. A decade passes very quickly, and yet significant changes can happen within that timeframe.

When the first Vero SME Insurance Index was launched 10 years ago, Australia was different in many ways. The nation had recovered from the 2008 GFC, was still recovering from the significant floods of 2010/11. And whilst the specifics of these events may differ there are parallels – one thing is certain, change is constant.

Since then, we have seen digital technology evolve from cutting-edge to mainstream, experienced an increasing number of natural disasters and, in the last year, lived through the impacts of an extreme bushfire season and a global pandemic, as well as our first recession in more than two decades.

So, what does this mean for the insurance industry? How can brokers adapt and stay relevant to their clients in an ever-changing world?

With change also comes opportunity. The brokers who can understand the risks, develop appropriate strategies and embrace the prospect of change, will be those who will succeed in years to come.

To celebrate our 10th edition, we have looked back over the data to identify some of the key lessons we have learnt over the last decade. Some of these lessons point to changing trends, while others are timeless reminders which will always be important.

However, they all contribute to one clear message – that in a fast-moving world, brokers continue to have an important role to play in helping SMEs manage the risks that their businesses face.

We hope that these findings are helpful, as you and your brokerage plan for the year ahead.

**Anthony Pagano**

Vero Head of Commercial Intermediaries



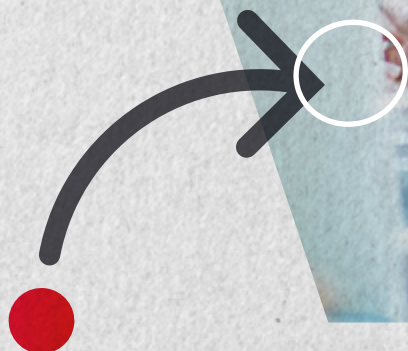


# Findings

**This first report of the Vero SME Insurance Index focusses on the general market landscape, including:**

- Key insights from 10 years of the Vero SME Insurance Index.
- Changes in broker usage.
- Evolving market confidence and concerns.
- Reductions in insurance due to the pandemic.

These topics will be explored in detail in this report.



**We will share further updates from the Index throughout the year, including:**

**1**

Changing communication preferences.

**2**

The importance of brokers in the Claims process and Natural Disasters.

These will be delivered in subsequent chapters via email and LinkedIn from April through to June. If you'd like to receive these updates please contact your Vero representative or follow [Vero on LinkedIn](#).



# Key insights from 10 years



## Key insights

**1**

Collaborative relationships drive satisfaction

**2**

SMEs are getting more involved in insurance

**3**

Service and expertise go hand-in-hand

**4**

Brokers have an important role to play in claims

Findings collected over the past 10 years, not all questions asked every year.



# Collaborative relationships drive satisfaction

In general, most broker clients claim to be satisfied with their brokers, although this has softened a little over the last year (see Figure 1.1).

There is a very strong correlation between broker satisfaction and the type of relationship that brokers have with their clients.

Brokers who work collaboratively with their clients have a significantly higher level of satisfaction than those who are rarely in contact with their clients.

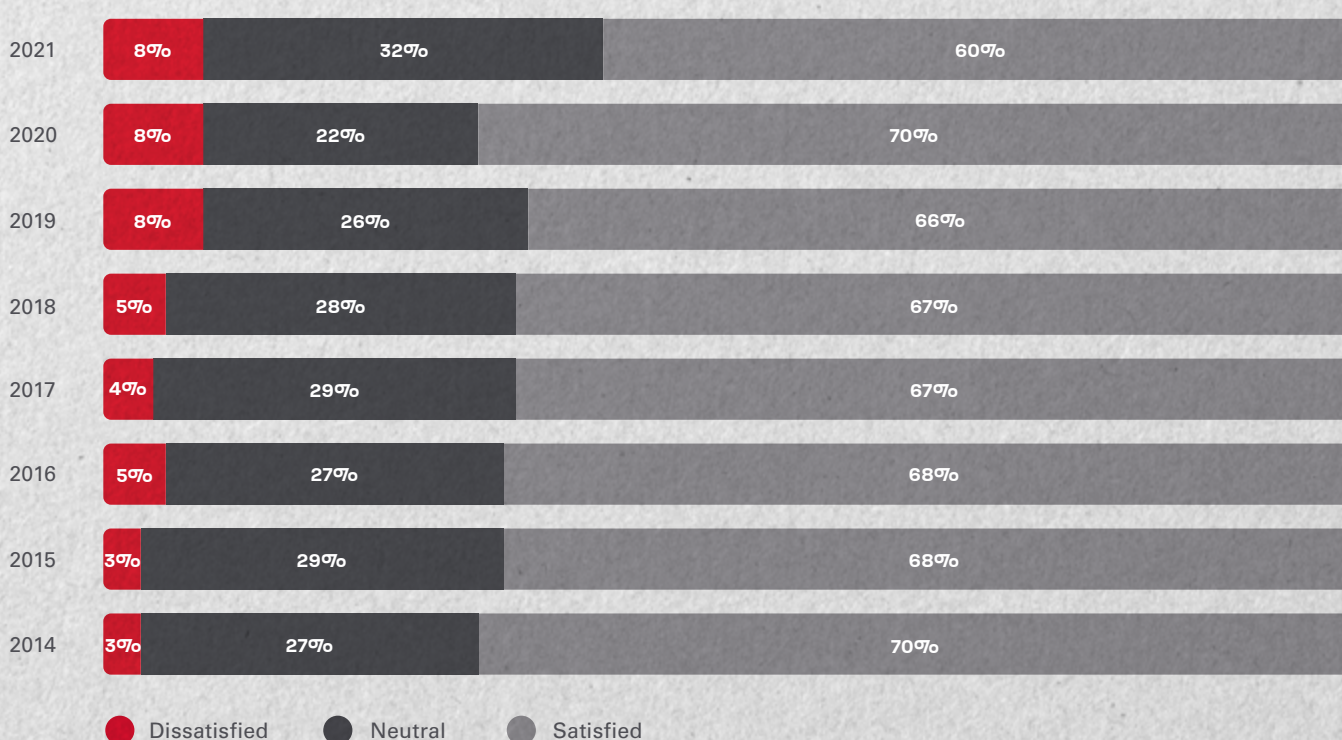
Specifically, 51% of SMEs who have a collaborative relationship with their broker (that is, one in which the broker presents them with choices and then they decide together) are highly satisfied, scoring their broker 9 or 10 out of 10.

This compares to only 24% of those who say that they have had minimal interaction with their broker.

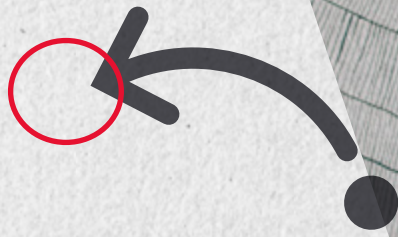
"I like a phone call once a quarter or so, just to check up how we're going, what's happening."

Jeweller, Broker Client, 2020

**Figure 1.1: Satisfaction with broker (broker clients)**







Satisfaction levels are also linked to the types of tasks that brokers do for their clients. Highly satisfied clients have brokers who are more likely to do value-adding tasks that demonstrate their expertise, such as providing in-depth analysis and information, checking up on business changes, advocating on the client's behalf and providing cost-effective options (see Figure 1.2).

**"We have a great relationship. I can ask them anything, they give me information and explain their analysis and recommendations in-depth."**

Bottleshop owner, Broker Client, 2017

The outcome of highly satisfactory broker client relationships appears to be correlated to more positive attitudes to insurance overall. Highly satisfied clients are more likely to say that being insured gives them peace of mind and that they are happy to pay more for better service and advice.



**Figure 1.2: Tasks undertaken by brokers with satisfied clients (broker clients)**



Provide in-depth analysis on insurance options available



Check up on business changes



Provide information on changes to insurance or regulatory requirements



Advocate on client's behalf



Provide cost effective options

### What does that mean for brokers?

**1**

Great service means taking time to understand clients and be engaged in their business, sharing information and analysis that helps them feel that they have the best solution.

**2**

Most of all, stay in contact!



# SMEs are getting more involved in insurance

In the past, many SMEs preferred to “set and forget” their insurance and to delegate to experts. However, in the past 10 years we have seen an increase in the number of SMEs who say they want to be involved in their insurance.

This year 60% of SMEs say they personally research the insurance needs of their business.

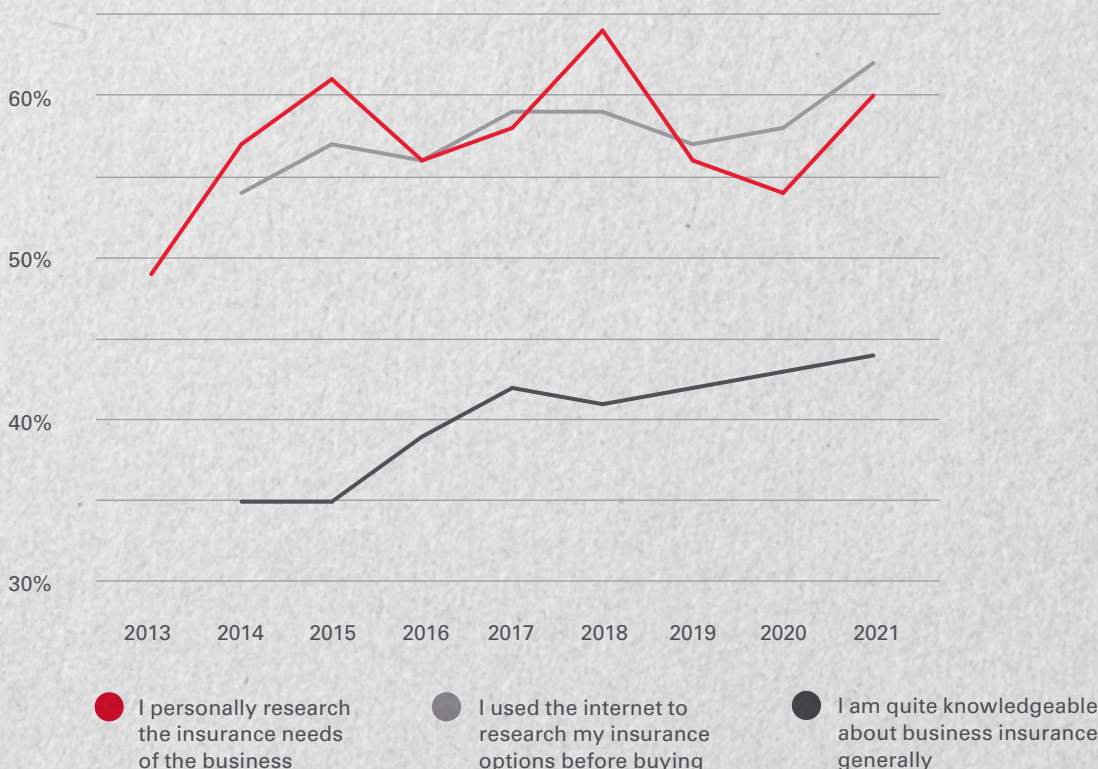
The increased availability of information online has partly facilitated this, with more than 60% saying they use the internet to research their insurance options before buying.

This has led to increased confidence, with over 40% claiming to be quite knowledgeable about business insurance (see Figure 1.3).

“Considering how much I pay in insurance each year, I want to be involved, I want to be across the details.”

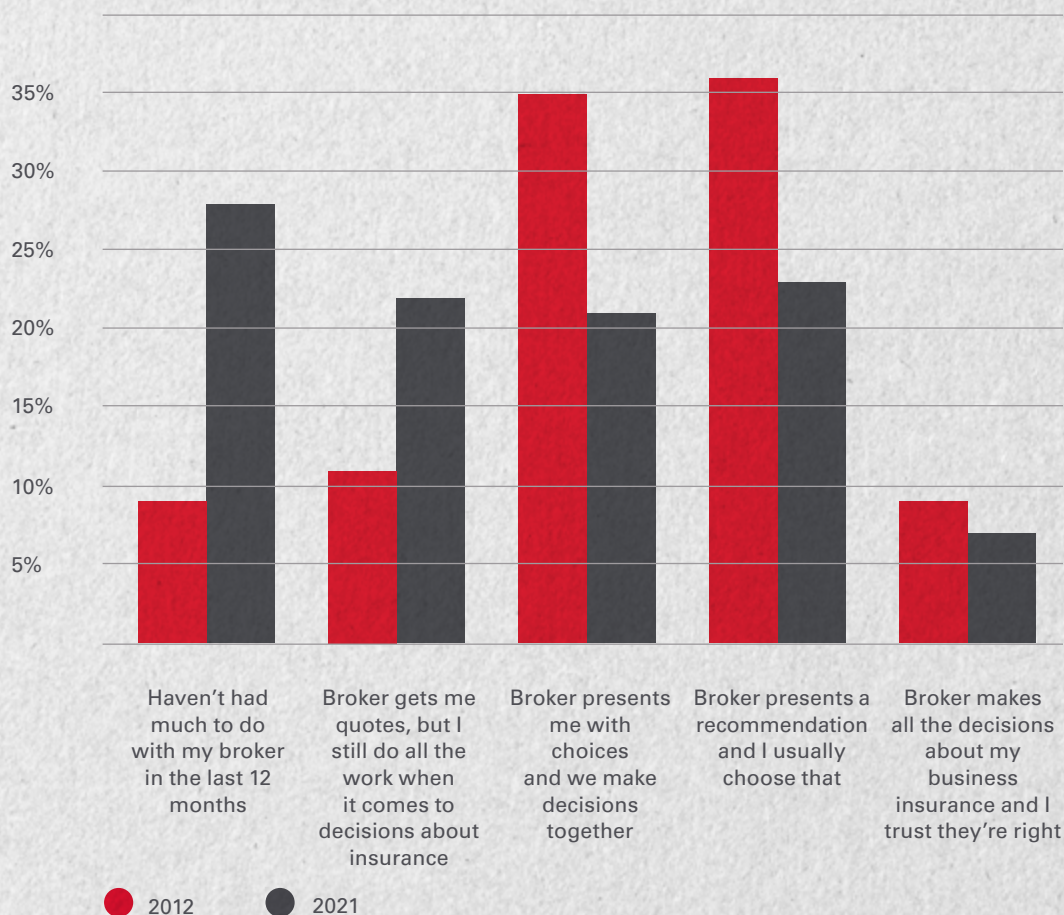
Bookkeeper, Broker Client, 2015

**Figure 1.3: Attitudinal trends about insurance involvement**





**Figure 1.4: Relationship with current broker (broker clients)**



Broker relationships reflect this trend towards personal research. Compared to 2014, in 2021 there has been a significant increase in broker clients who claim to do most of the work themselves, or to have little to do with their broker (see Figure 1.4).

At the same time, there has been a corresponding decrease in the number of broker clients who say they work collaboratively with their broker or rely on their broker's recommendation.

*"I'll challenge my broker on things, then they'll go away and get various things, then we'll go through it together."*

Business Advisor, Broker Client, 2015

It's important to remember these results reflect the SME's personal interpretations of their actions, rather than their actual behaviours. There may be cases where SMEs rely more heavily on the expertise of their broker than they perceive.

Brokers should however be aware of these attitudes about insurance involvement, so they can help their clients feel engaged in the process.







# I'd never just take my broker's recommendation at face value.

I like to make sure that I understand it, that I really know what I'm covered for.

Manufacturer, Broker Client, 2018

## What does that mean for brokers?

- 1** Many clients would like their broker to share the analysis and process that has gone into their recommendations, rather than just providing a quote. This not only engages clients but also demonstrates the broker's expertise and the value they deliver.
- 2** Clients increasingly value explanations of the cover they have in place, how much it costs and why.
- 3** Many SMEs value receiving information on insurance issues, for example regulatory changes or case studies, from their brokers.



# Service and expertise go hand-in-hand

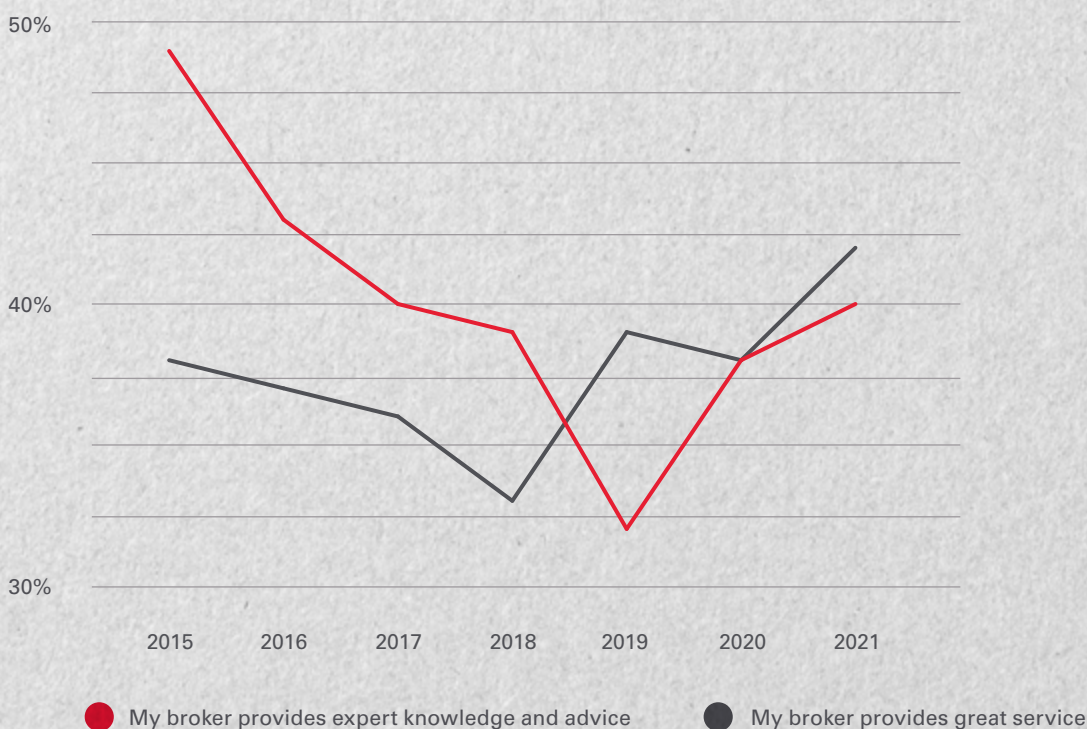
While many brokers consider their expertise to be the major benefit they deliver to their clients, a decreasing number of SMEs highlight this as the reason they work with a broker. Specifically, in 2015, 50% cited expert knowledge and advice as a reason to use a broker, down to 40% this year (see Figure 1.5).

*"I just find that some brokers have no idea what my business really does and what my business needs."*

Florist, Direct Buyer, 2019

Over the last few years, we have seen "providing great service" increase as the most common reason many clients work with their current broker. This indicates that service is now just as important for brokers to consider for their clients, as expertise.

**Figure 1.5: Reasons to work with current broker (broker clients)**







There has also been an increase in reliance on informal advice about business risk, with over half of broker clients saying that they turn to family, friends, colleagues, or peers for advice. This increased from 39% in 2016 to 54% in 2019 (see Figure 1.6).

**"I get advice about insurance from others in my industry. They're in the same field, they understand what we do, so I find it the most relevant."**

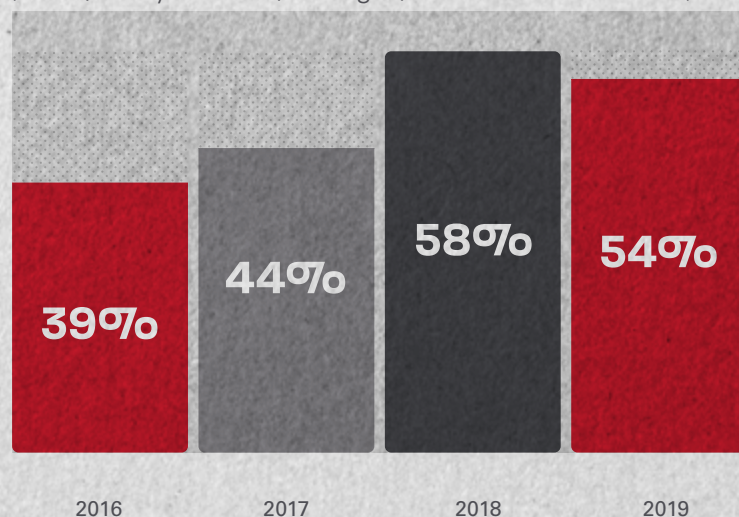
Builder, Broker Client, 2015

One potential explanation for this trend is the desire of SMEs to be more involved in their insurance and the perceived ease of managing business risk. Those in the industry understand the complexity of insurance and risk, but many SMEs claim to find insurance tasks easy. This includes not only straightforward tasks such as administration, but also tasks which require a more in-depth understanding of insurance, such as evaluating the insurance needs of a business (see Figure 1.7).



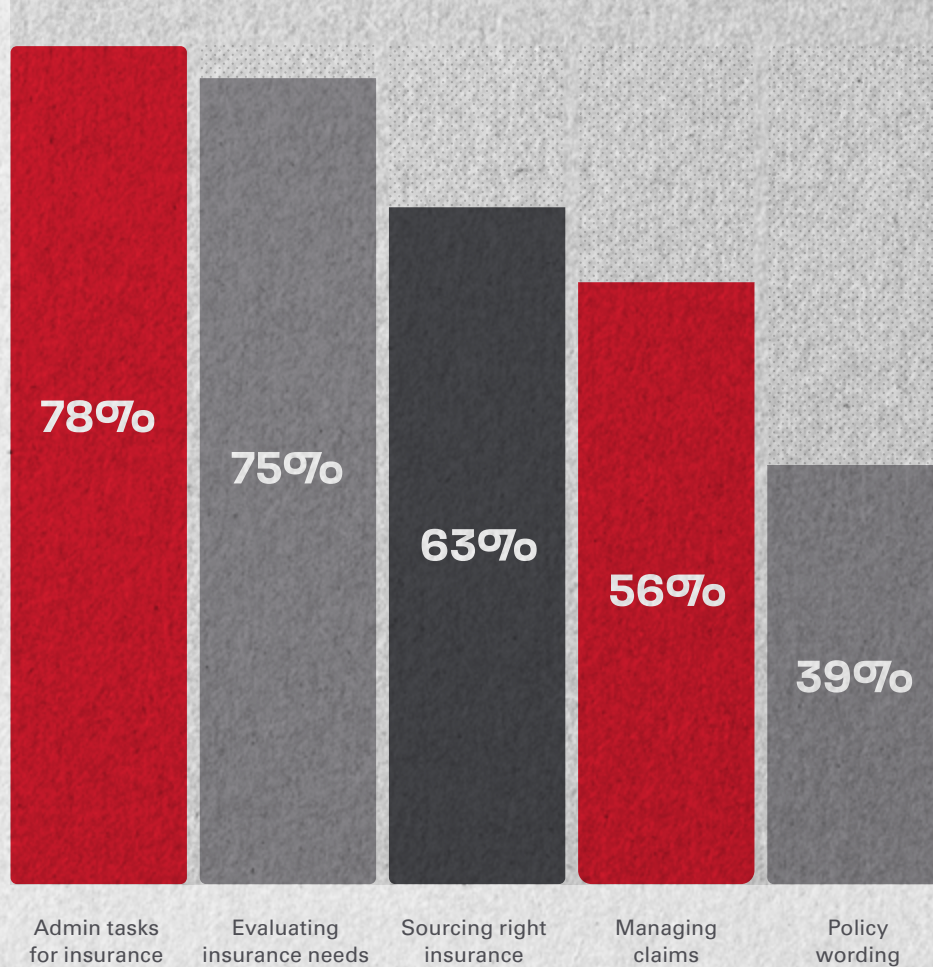
**Figure 1.6: Source of advice and guidance on business risks (broker clients)**

**"I turn to peers for advice about business risks"**  
(friend/family member/colleague/other business owners).





**Figure 1.7: Ease of insurance tasks (percentage who find it easy)**



### What does that mean for brokers?

- 1** It's important to have a client approach that emphasises both expertise and service.
- 2** A clear opportunity for brokers to foster good service is to engage SMEs by helping them feel more informed during the insurance decision process.
- 3** By sharing insights and analysis with their clients, brokers can demonstrate their expert knowledge and the value they bring. For example: providing SMEs with specific advice on industry issues and regulatory change.
- 4** Brokers, and the insurance industry in general, should consider educating SMEs on the complexity of insurance and the need to get professional advice, rather than taking a "DIY" approach or relying on the informal advice from personal networks.



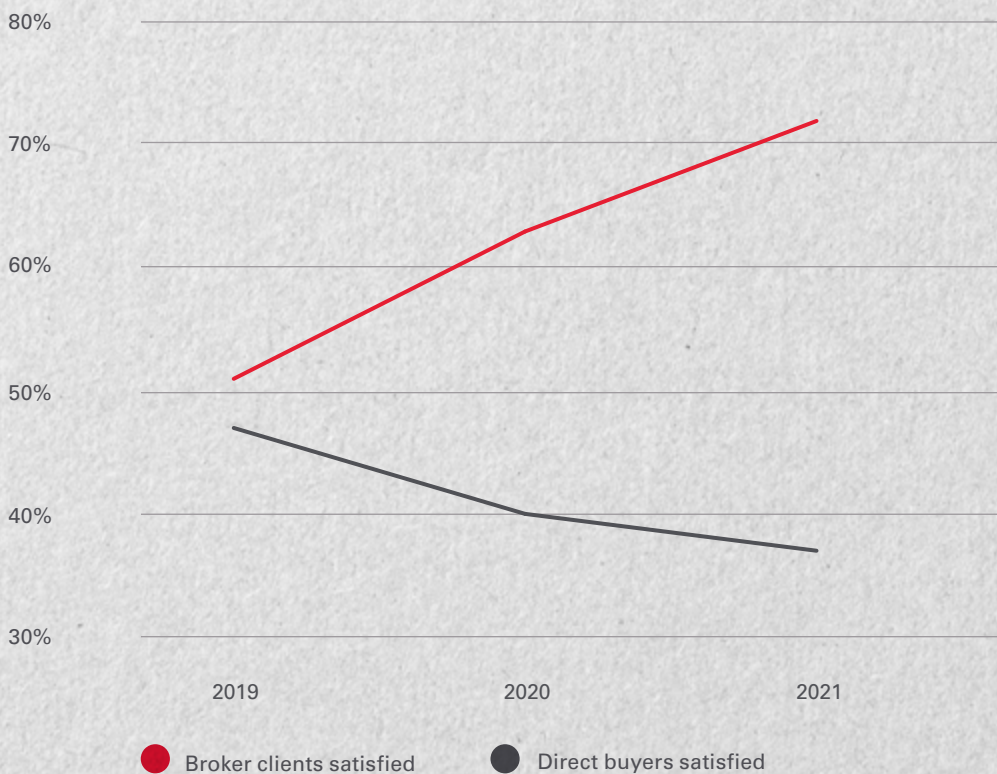
# Brokers have an important role to play in claims

Increasingly, broker clients are more satisfied with their claims process than those who buy their insurance direct. Specifically, in 2021, 72% of broker clients who made a claim were satisfied, compared to only 37% of direct claimants (see Figure 1.8).

"Claims are annoying, strenuous, stressful. If someone could look after it for me, happy days!"

Hotelier, Direct Buyer, 2016

Figure 1.8: Satisfaction with claims experience by purchase channel





# The brokers were very helpful with the claim. They helped us every step of the way.

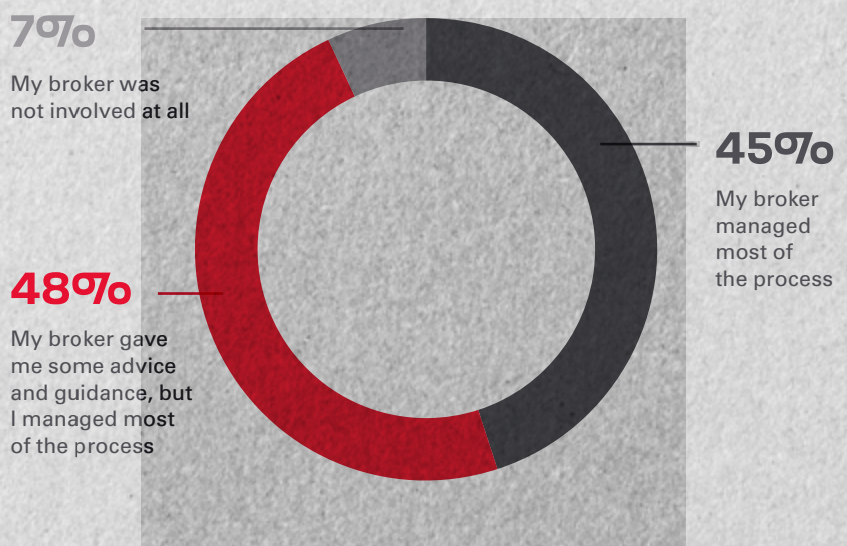
Motor Repairer, Broker Client, 2015

The role that the broker plays during the claims process varies – some brokers manage the whole claim, while others provide guidance, and the client manages the process (see Figure 1.9).

When brokers are part of the claims process, satisfaction tends to be considerably higher and the claims process is seen as being less complex.

This indicates that when brokers are involved in the claim it can help improve the process substantially for SMEs.

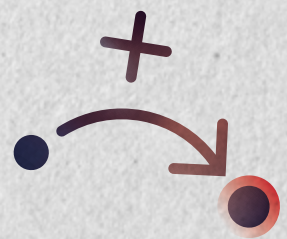
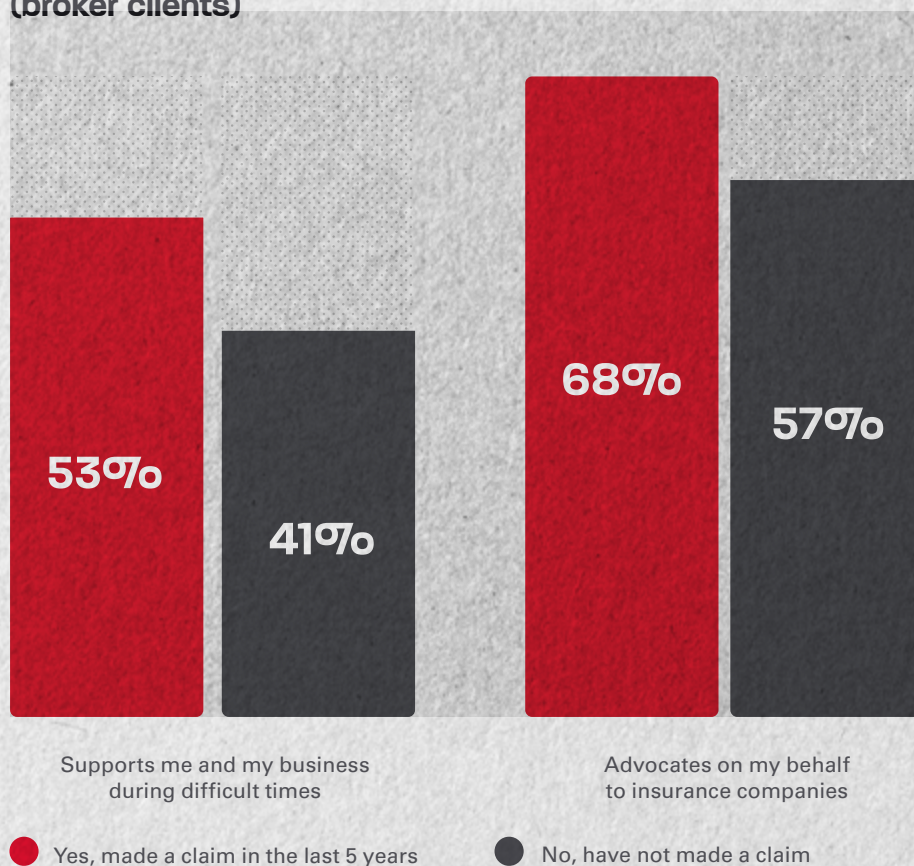
**Figure 1.9: Role of broker in making a claim (broker clients)**





In conclusion, those who've claimed and had a positive experience are more likely to view brokers positively than those who have never made a claim. Those who've had a positive claim experience are also more likely to say that their broker supports them during difficult times and advocates on their behalf to insurance companies (see Figure 1.10).

**Figure 1.10: Claim experience and tasks my broker does (broker clients)**



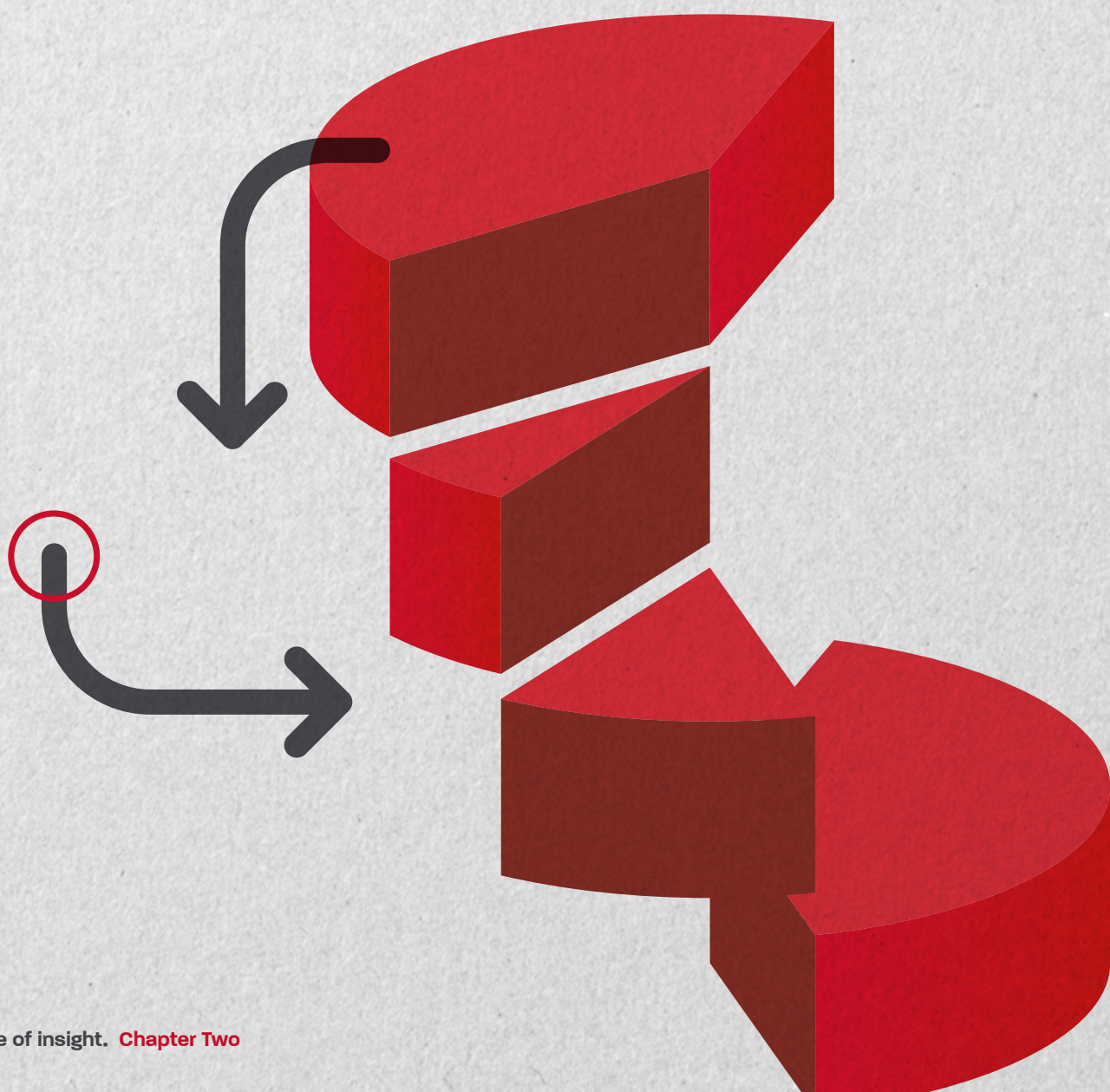
### What does that mean for brokers?

1

Claims are an important moment of truth for clients, and an opportunity for brokers to demonstrate the support and benefits that they deliver to their clients.



# Changes in broker usage







Since the start of the Vero SME Insurance Index in 2012, we have measured broker usage by asking Australian SMEs about the most recent insurance policy they have purchased for their business.

This year, 40% of SMEs said that they purchased their last policy through a broker, an increase from 35% last year (see Figure 2.1).

This measure can fluctuate from year to year, and there would need to be at least two consecutive years of growth to call this a trend, however, it is a positive early sign of increasing broker usage and potential reversal of the declining trend seen in previous years.

**Figure 2.1: Last insurance purchase by channel**



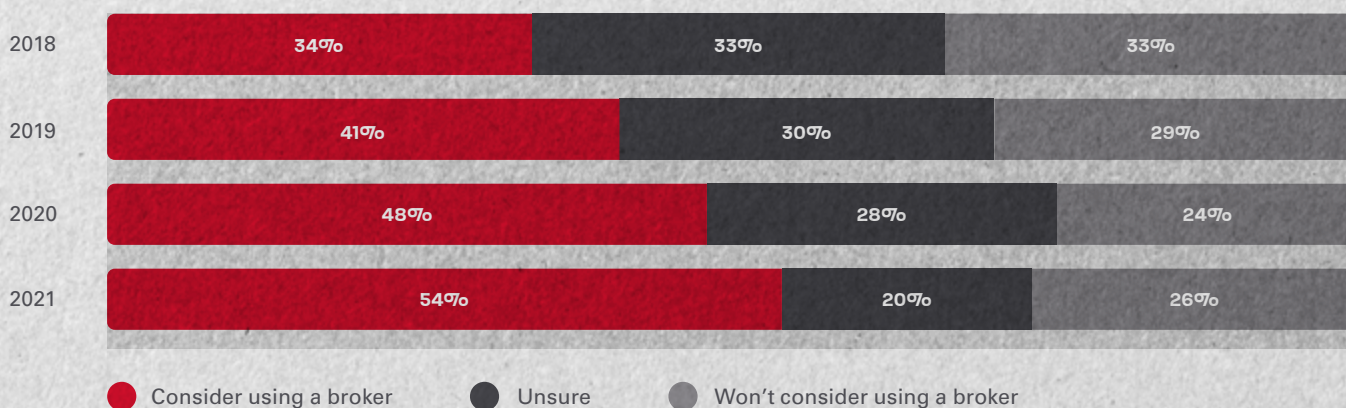




This year's research shows positive signs about the intention to use a broker in the future. Over half of direct buyers are considering using a broker in the future, continuing an increasing trend over the last few years (see Figure 2.2).

A wide range of businesses are considering using a broker, especially larger businesses with younger, more educated decision makers. However, one of the strongest distinguishing characteristics of broker considerers is that they have recently engaged in the insurance process, for example, making a claim, or reducing their insurance. This suggests that the idea of brokers becomes more relevant at times when insurance is top of mind. Businesses that are newly established or have changed their business model are also more likely to be considering using a broker.

**Figure 2.2: Consideration of using a broker in the future (direct buyers)**





## Reasons to consider using a broker

There are many reasons that direct buyers may consider using a broker, with the most common being timesaving, access to better policy wordings and increasing business complexity (see Figure 2.3). To find a broker, direct buyers turn to search engines like Google, or seek a recommendation from friends or peers.

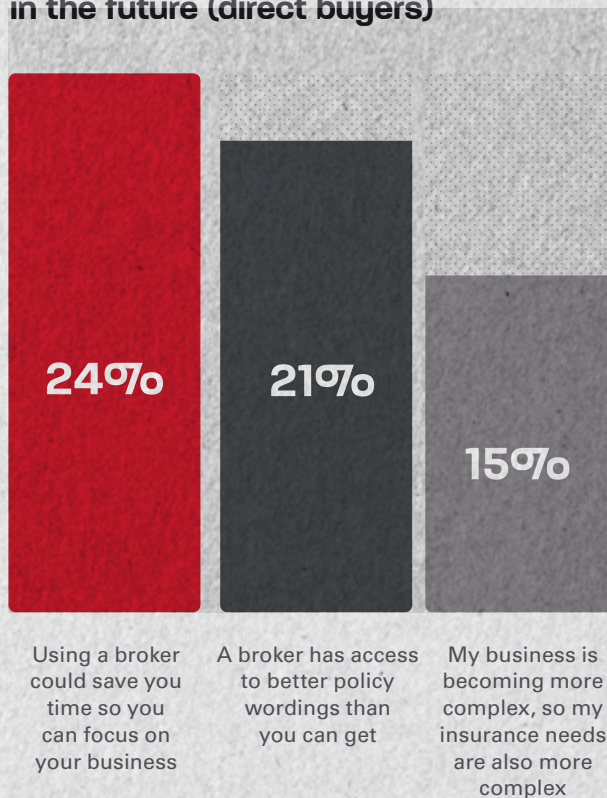
## Watch out – Importance of contact

This data generally suggests a positive and improving outlook for broker usage. One thing to keep an eye on however is the changing nature of some broker relationships. Insurance broking is strongly relationship driven, and over the last decade this Index has consistently found that the most successful broker-client relationships occur when there is regular contact.

However, this year's data shows that a large proportion of broker clients claim not to hear from their broker regularly. Specifically, 28% say that they haven't had much to do with their broker in the last 12 months (see Figure 2.4). This group are more likely to be younger, smaller and newly established businesses, and are far more likely to be dissatisfied with their broker. They also appear to be less informed about a range of insurance issues, including the insurance impacts of natural disasters and the likelihood of insurance premiums increasing.

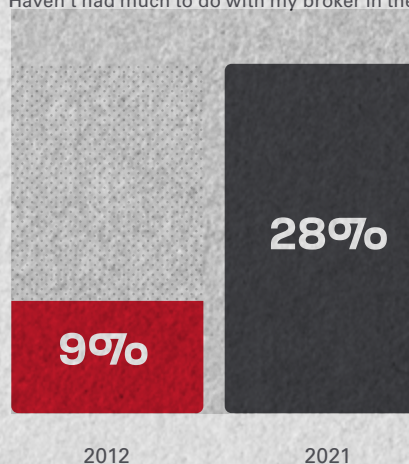
While current broker usage trends look positive, it is important that brokers maintain strong, regular relationships with clients, to minimise the risk of SMEs turning to other purchase channels because they do not understand the value of having a broker.

**Figure 2.3: Reasons to try a broker in the future (direct buyers)**



**Figure 2.4: Relationship with current broker (broker clients)**

Haven't had much to do with my broker in the last 12 months







# Relationships continue to be very important ...

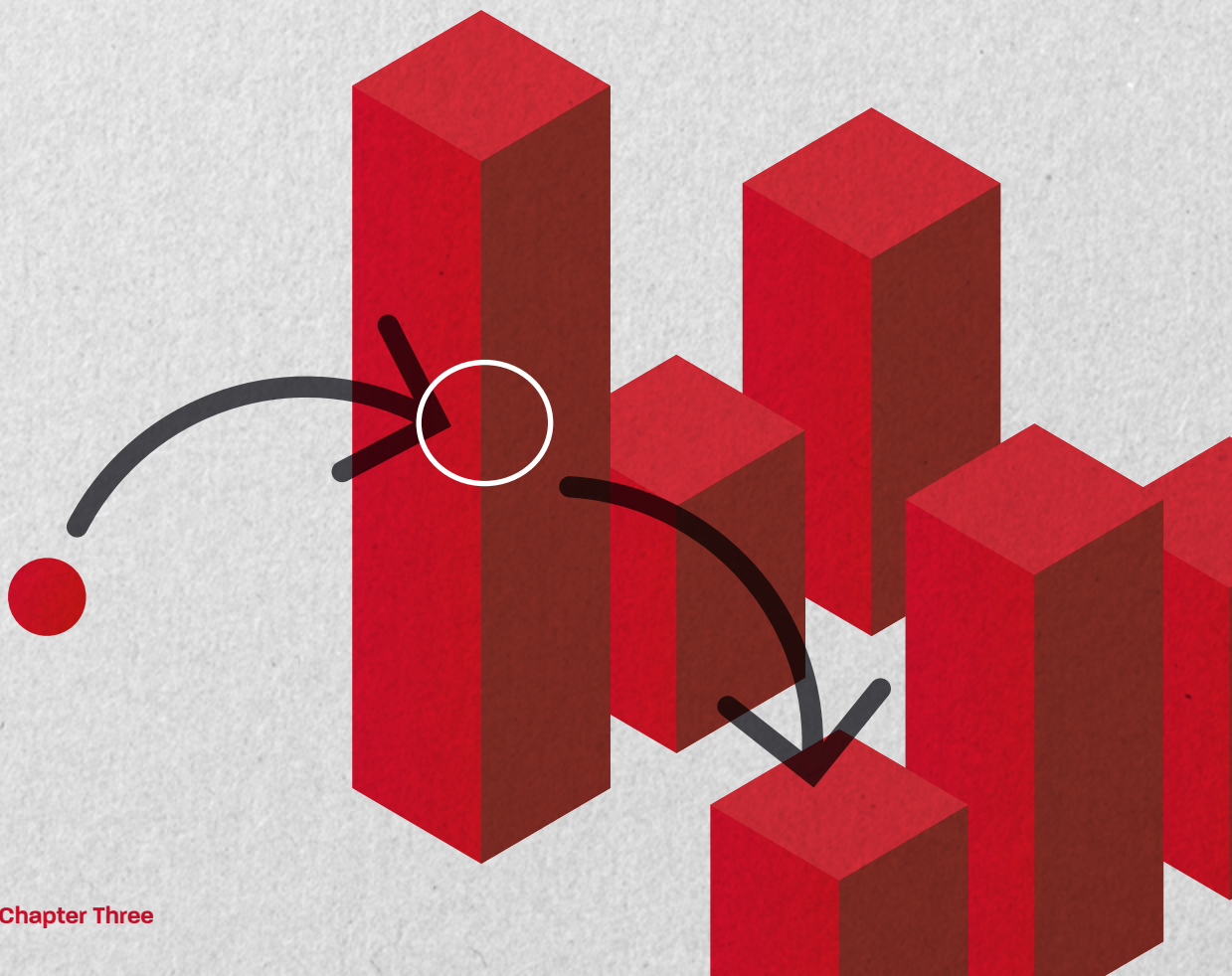
... in driving satisfaction, and regular contact with clients is critical to build engagement and retain business.

## Considerations for brokers.

- 1** As broker usage fluctuates, and mixed usage of direct and intermediated purchase continues, brokers have an opportunity to gain greater share of their clients' insurance portfolios through focussing on their entire insurance needs.
- 2** An increasing number of direct buyers are considering using brokers. Brokers can make the most of this opportunity by communicating key benefits of timesaving, expert management of complex insurance needs and access to the best policies – particularly to businesses who may be at insurance “moments of truth” such as claims, establishing their business or as their business changes.
- 3** Referral strategies could help brokerages attract new clients through positive word of mouth from business partners and satisfied clients.



# Evolving market confidence and concerns





Given the tumultuous nature of 2020 and the wide-spread impacts of the COVID-19 pandemic, we would expect many businesses to be feeling pessimistic. When asked how they feel about their business prospects for the year ahead, SMEs tell a mixed story, with an increased number saying they do not feel confident, up from 9% last year to 21%, highlighting the fragility of the economy (see Figure 3.1).

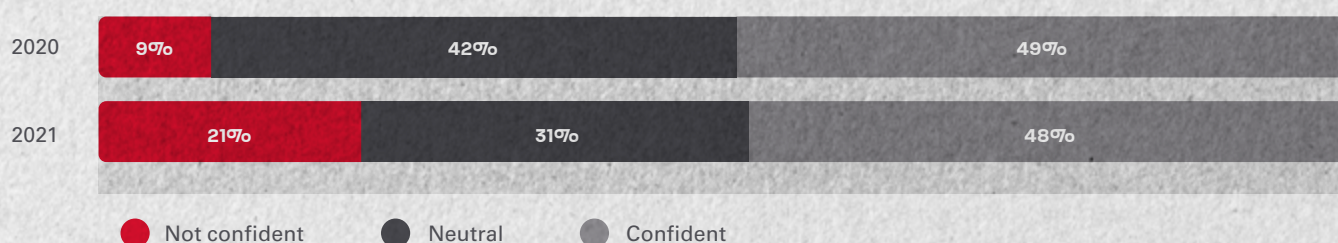
However, it is important to note that the results are mixed, with almost half claiming to feel confident about the year ahead – similar levels to a year ago.

This suggests brokers need to work to better understand the individual circumstances of each of their clients, as experiences are diverse.

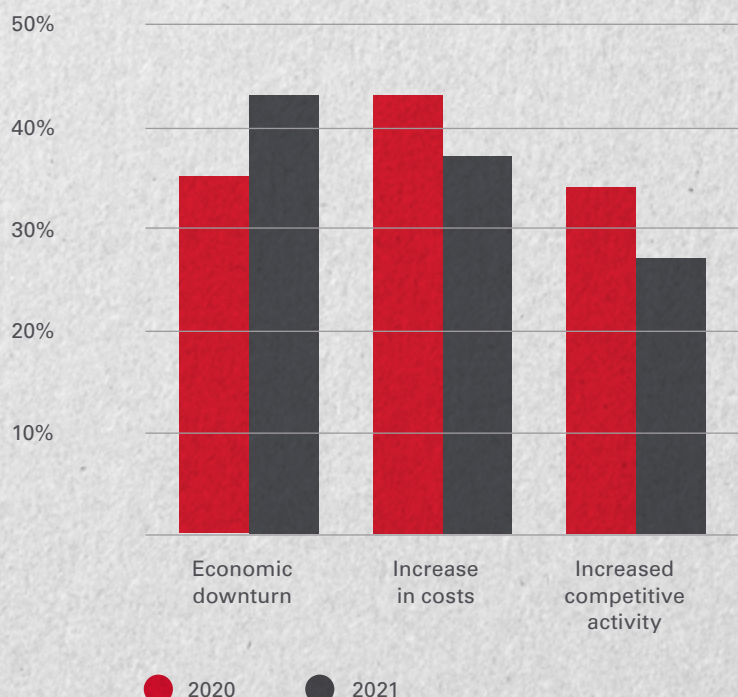
Along with these shifts in confidence, this year's Index has identified a change in the matters that most concern SMEs. Twelve months ago, consistent with previous years, increasing costs were the most common concern. While costs are still a concern for SMEs, the risk of economic downturn has unsurprisingly taken top spot this year.

Concerns about increased competitive activity have also declined this year in the face of broader concerns about the economy (see Figure 3.2).

**Figure 3.1: Confidence in business prospects over year ahead**

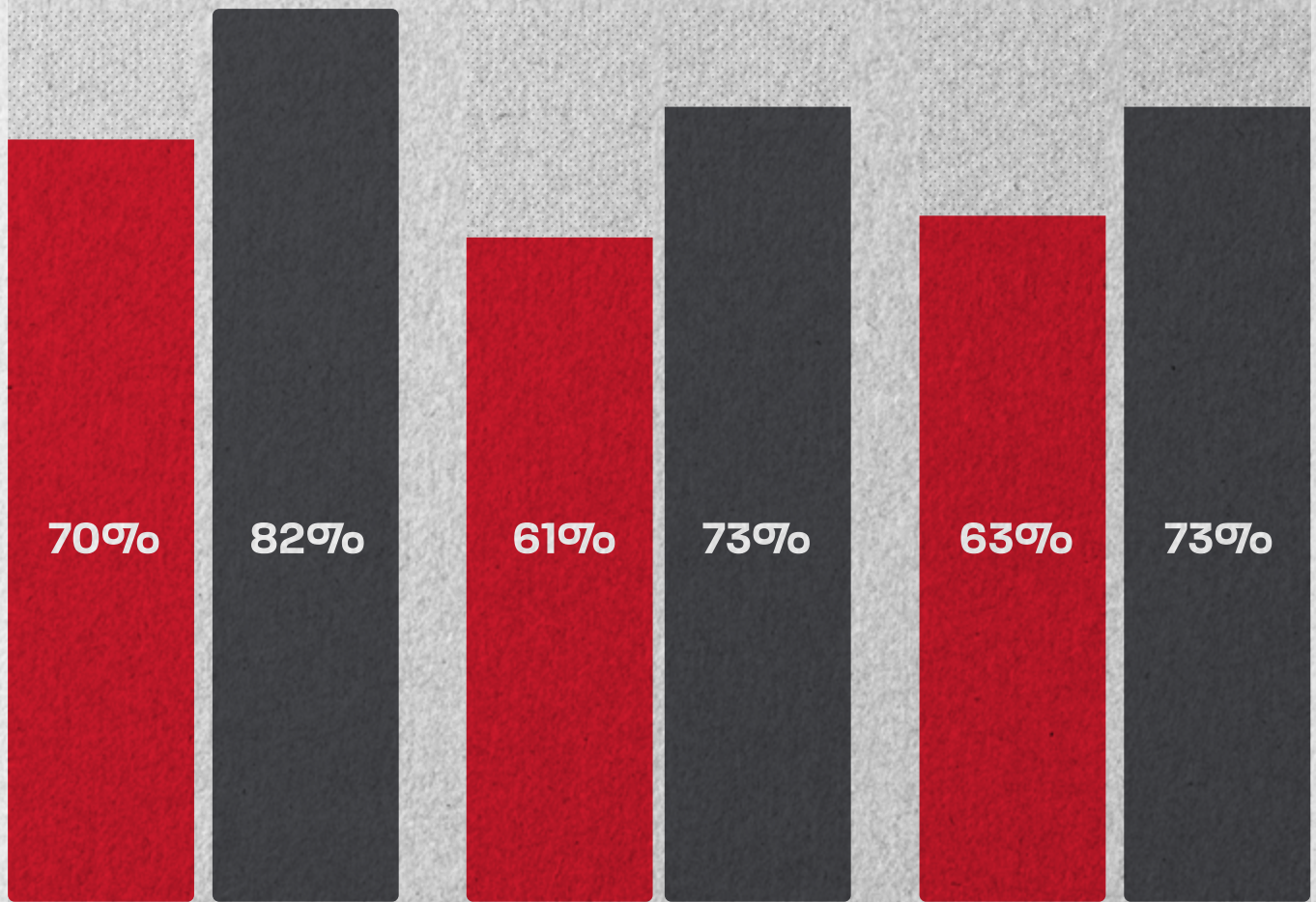


**Figure 3.2: Top 3 business concerns**





**Figure 3.3: Attitudes towards business insurance**



#### Grudge

- I have to be insured, but I don't get value for money out of it
- I only take out some insurance because I'm legally obligated to
- I buy the minimum cover I need

#### Price driven

- I'm willing to forego personal contact with a broker or insurance company if it means I can get it a bit cheaper
- Price is the most important concern when it comes to making decisions about insurance

#### Wariness

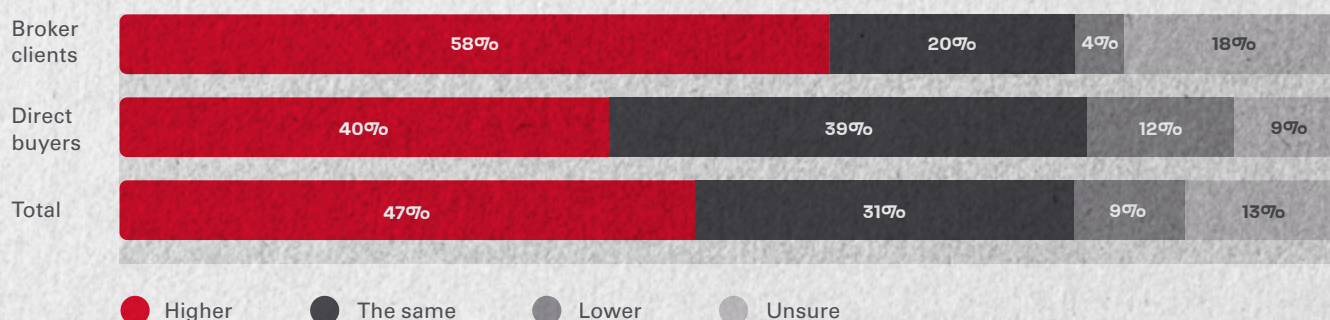
- Recent events have made me more wary of the insurance industry
- Recent events have made me question my cover
- I want my insurance to be with a large insurance company

● 2015 ● 2021

These changes in concerns are accompanied by some significant shifts in SMEs' attitudes towards insurance. Most notably, there has been a considerable increase in the number of SMEs who view insurance as a grudge purchase, who are price-driven and who feel wary about the industry (see Figure 3.3). This has critical implications for brokers and for the insurance industry, highlighting the need to demonstrate the value and importance of insurance as an essential to business, rather than a resented cost.



**Figure 3.4: Expectations of cost of insurance**

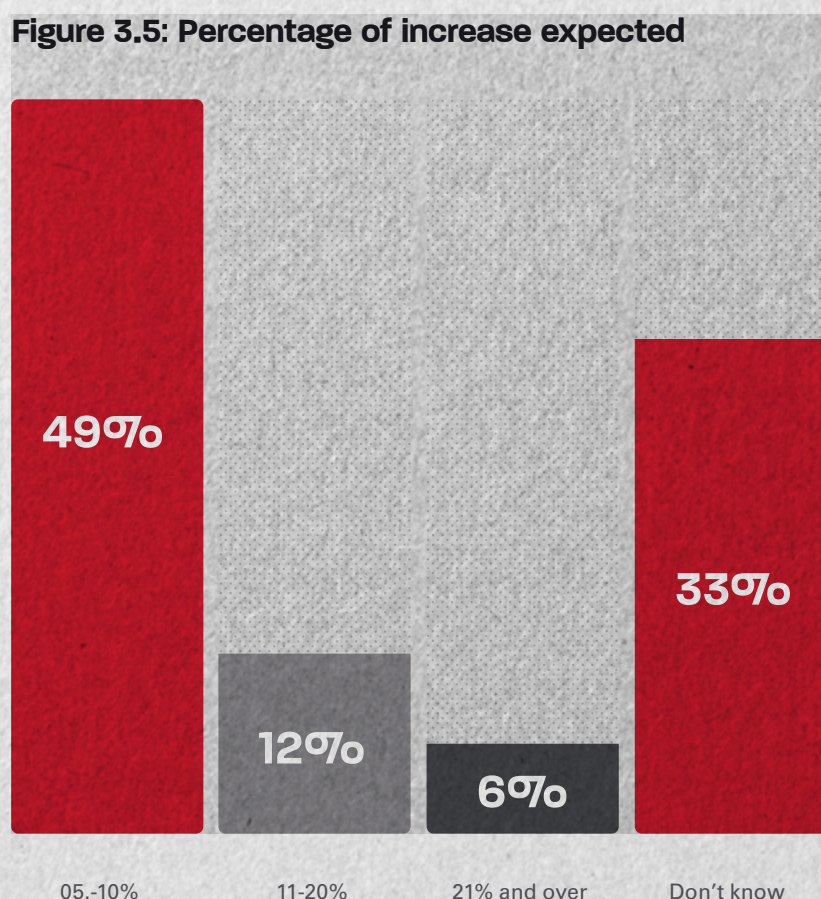


In a fragile economy with increasingly cynical insurance buyers, the cost of insurance is a topic of interest, especially in the context of a hardening insurance market. There is reasonably broad understanding of the likelihood of premium increases, with almost half of SMEs expecting that the cost of insurance will rise in the next year.

Notably, broker clients are more likely than direct buyers to expect a price increase, which suggests that having an insurance broker links to SMEs being more informed (see Figure 3.4).

Most of those who expect an increase assume the rise will be below 10% (see Figure 3.5). This suggests that there is a need for brokers to manage expectations and consider preparing clients if their premium increases are likely to be higher for some covers.

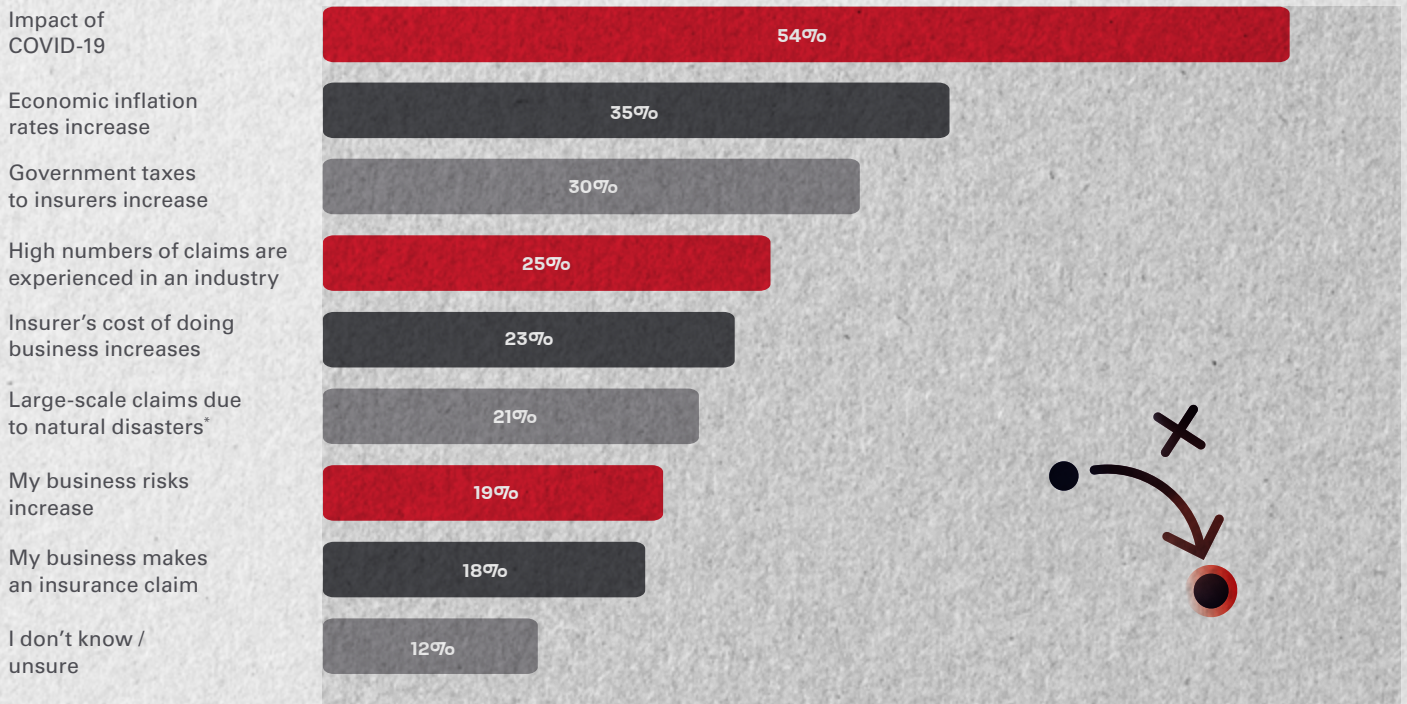
**Figure 3.5: Percentage of increase expected**







**Figure 3.6: Reasons for business insurance premium increases**



In a year strongly impacted by COVID-19, many SMEs believe that the pandemic is the main reason for premium increases. While a range of other reasons are also considered, only one in five believe the role of large claim events such as natural disasters to be a factor (see Figure 3.6).

Given the significant bushfire event last summer and the expected increase in frequency and severity of natural disasters, it is critical that SMEs understand the impact these events have on insurance premiums.

These findings suggest that there is value in discussing premium increases with SMEs.

Discussing pricing can feel uncomfortable, however, many SMEs are keen to know more about why premiums increase.

**62%**

of SMEs say they would like their broker to have this conversation with them if they have not already. Half of the SMEs surveyed have already had premium increases explained to them by their broker and overwhelmingly found these explanations to be helpful.





**We do see light  
at the end of  
the tunnel ...  
we're cautiously  
optimistic.**

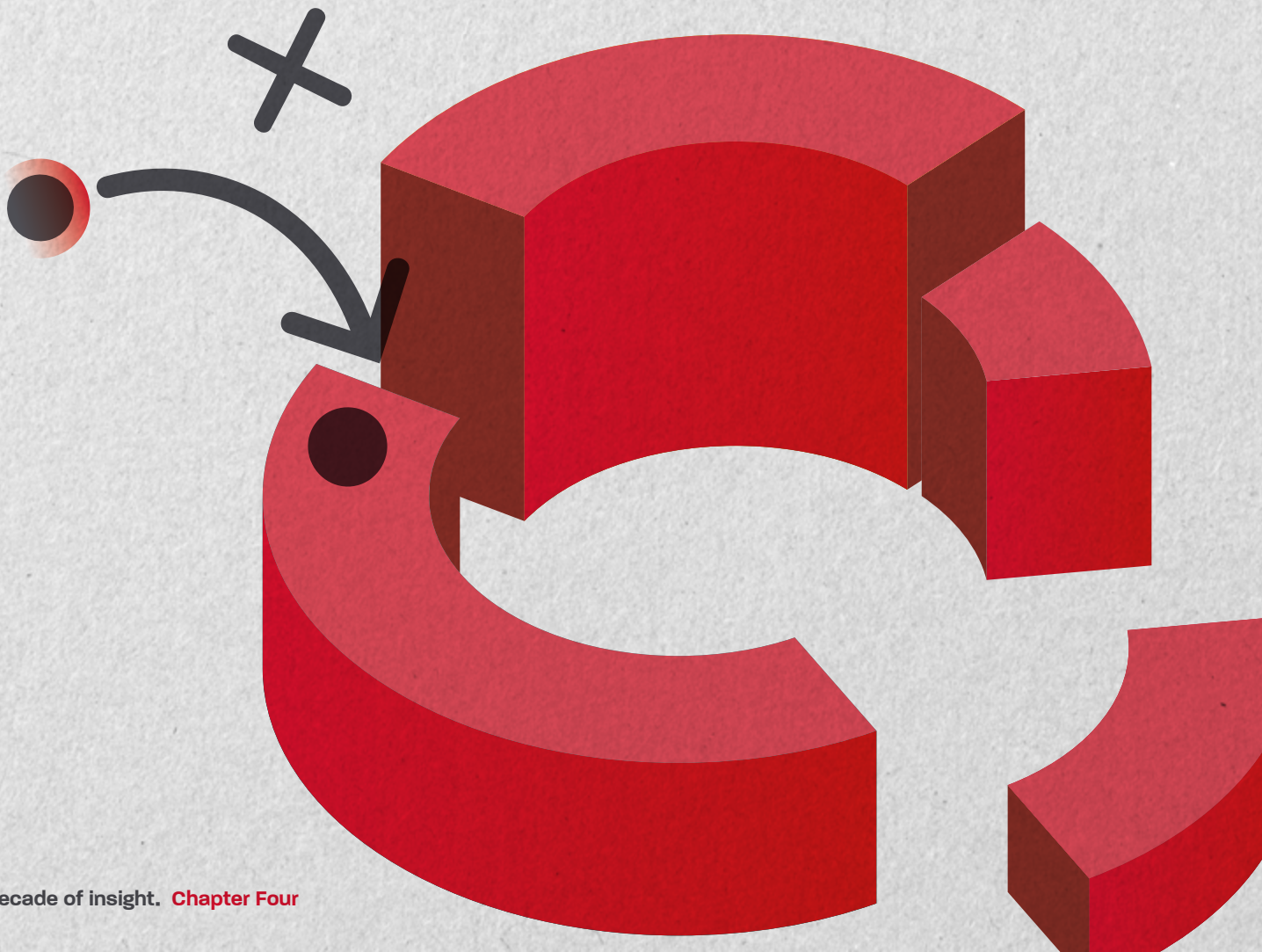
### Considerations for brokers.

**1** With decreased economic confidence, increased concerns and cynicism about insurance, brokers have an important role to play in reassuring SMEs and helping them to understand the value and importance of insurance.

**2** While many SMEs expect insurance premiums to rise, understanding is limited on the reasons for, and extent of, premium increases. This is an opportunity for brokers to consider having conversations with their clients to manage their expectations about insurance costs. As well as help SMEs to better understand the specific details of the policy cover and associated risks and what they are paying for.



# Reductions in insurance due to the pandemic



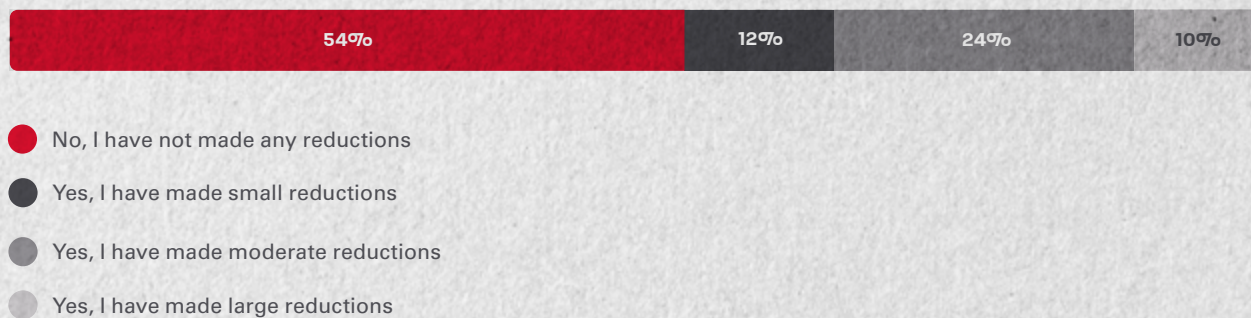




The challenging economic conditions brought about by the pandemic have had an impact on the insurance decisions of SMEs in Australia, as identified in the two Vero SME Insurance COVID-19 surveys conducted during 2020.<sup>1</sup> While many SMEs have left their insurance in place, around a third claim to have made at least moderate reductions to their insurance (see Figure 4.1).



**Figure 4.1: Reduced insurance in the last 6 months**

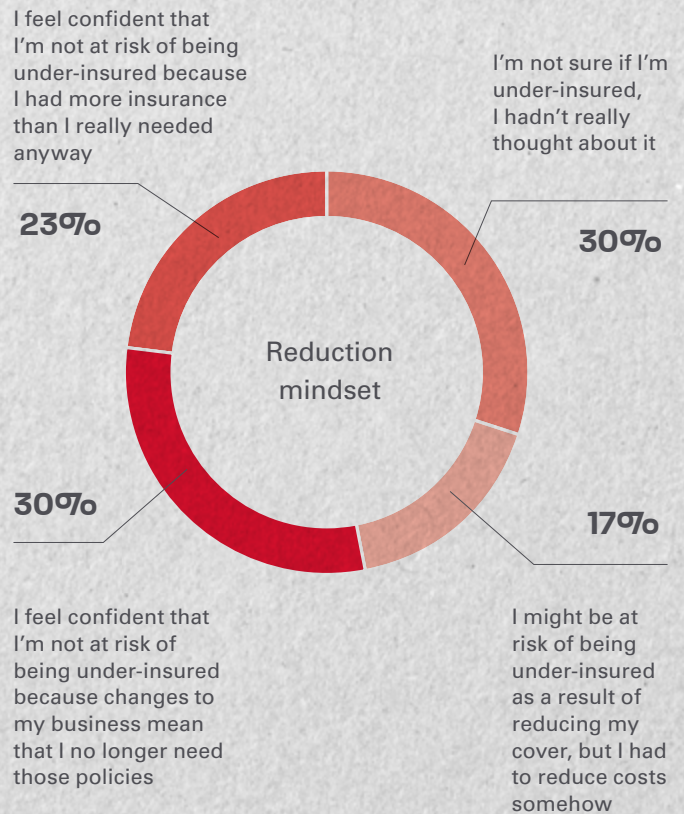


Those making reductions are more likely to be larger SMEs, newer businesses and those industries which have been more negatively impacted by the pandemic. Broker relationships also play a role here, with those who are dissatisfied with their broker more likely to have made reductions. Interestingly, direct buyers who have reduced their insurance are more likely to consider using a broker in the future, suggesting that having to review their insurance may have highlighted the need for professional advice.

These reductions in insurance come with an increased risk of businesses being under-insured and inadequately protected against serious loss. The research suggests that only a small portion are aware of these risks, with 17% of those who have reduced their insurance claiming that “I might be at risk of being under-insured as a result of reducing my cover, but I had to reduce costs somehow.” (see Figure 4.2).

Over half believe that they are not at risk, either because they no longer need the policies they reduced, or because they had more insurance than they needed. A concerningly large group, 30%, did not even think about the risk of under-insurance when they reduced their cover.

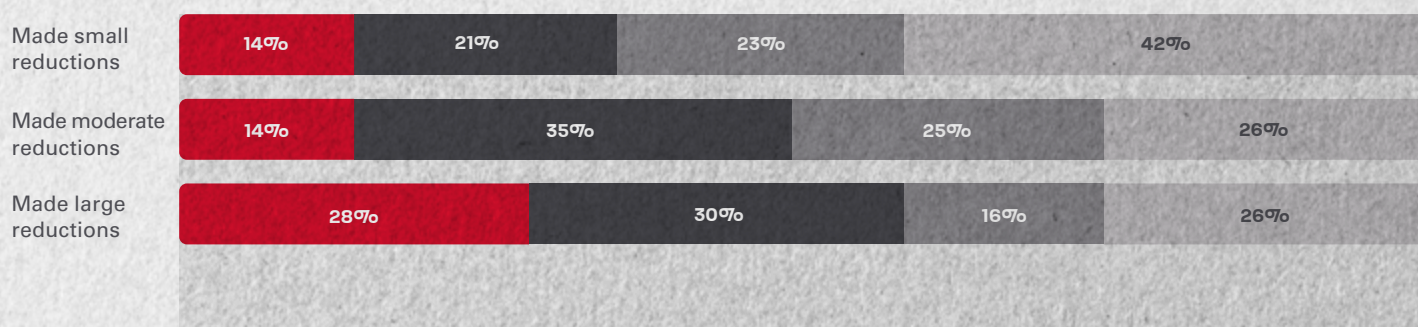
**Figure 4.2: Reduction mindset**



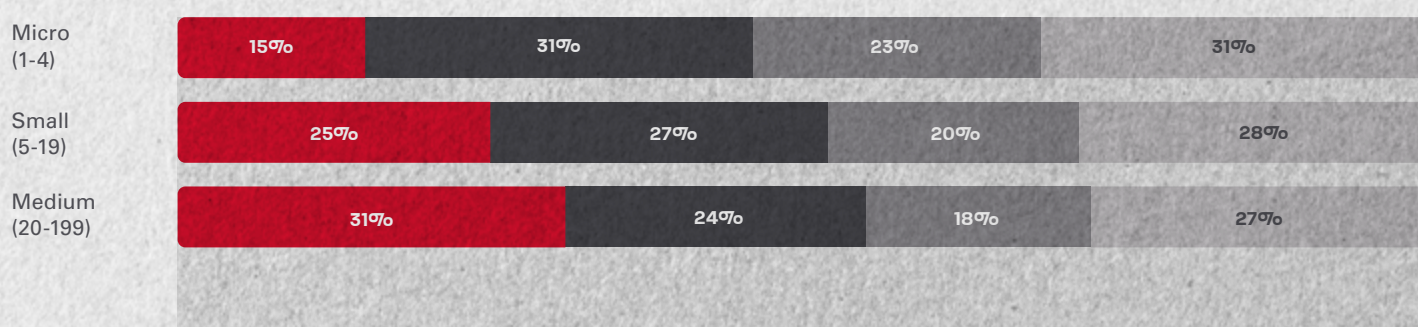
1. <https://www.vero.com.au/broker/news-insights/sme-insurance-index/understanding-the-impacts-of-COVID19-on-australian-smes.html>



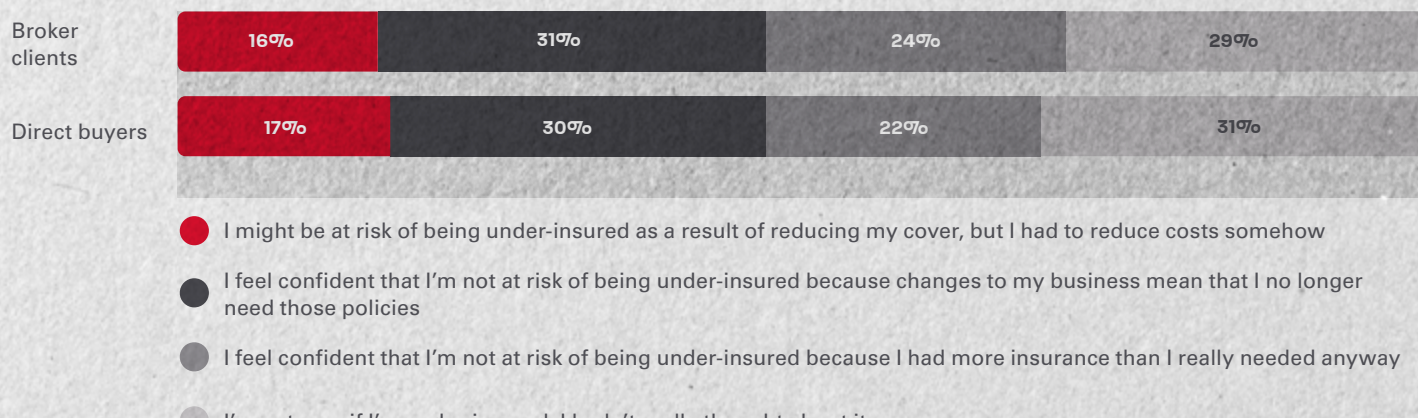
**Figure 4.3: Reduction mindset by level of reduction made**



**Figure 4.4: Reduction mindset by business size**



**Figure 4.5: Reduction mindset by purchase channel**



- I might be at risk of being under-insured as a result of reducing my cover, but I had to reduce costs somehow
- I feel confident that I'm not at risk of being under-insured because changes to my business mean that I no longer need those policies
- I feel confident that I'm not at risk of being under-insured because I had more insurance than I really needed anyway
- I'm not sure if I'm under-insured, I hadn't really thought about it

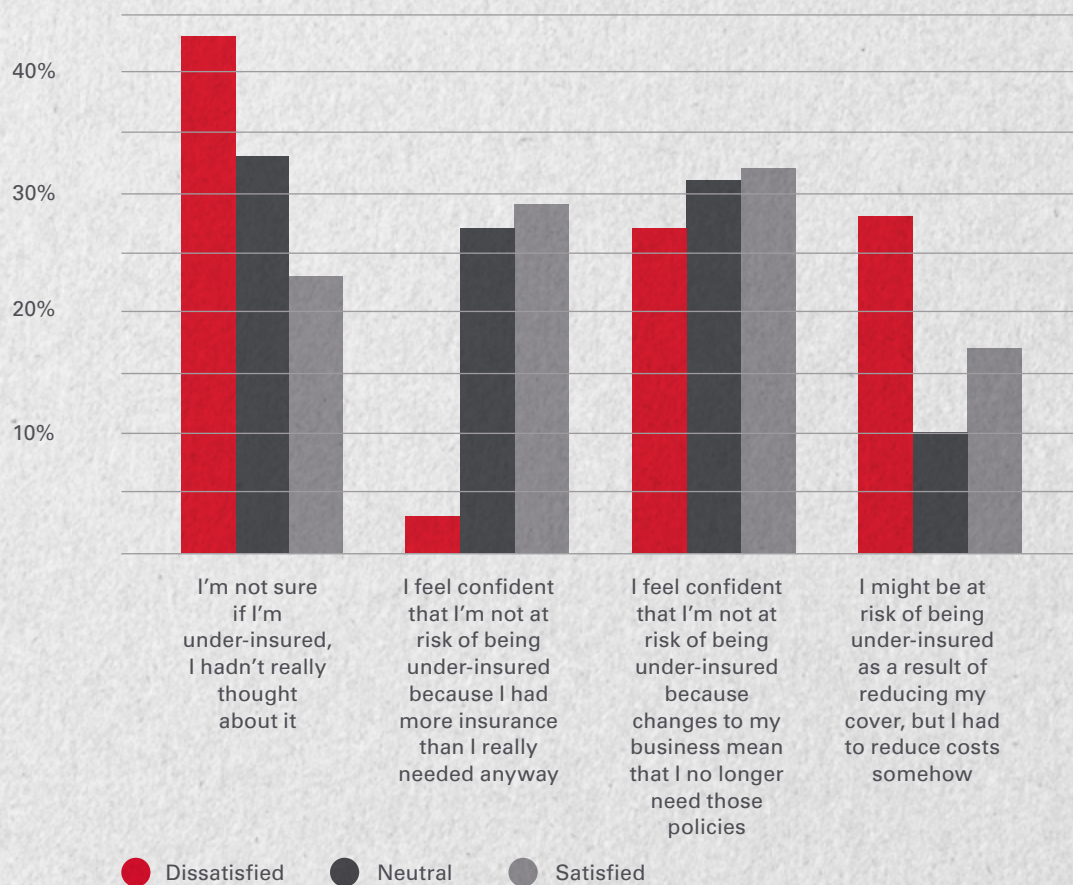
This mindset varies according to the size of the reduction – those businesses who have made small reductions are more likely to not have thought about the risk. Conversely, businesses that have made larger reductions are more likely to say that they may be at risk but had to reduce costs somehow (see Figure 4.3). Business size also has an impact on mindsets – the larger the business, the more likely they are to acknowledge that they may be at risk of being under-insured (see Figure 4.4).

Purchase channel does not appear to have a material impact on mindset when reducing insurance.

Broker clients are equally likely to say that they had not thought about being under-insured as direct buyers, and no more likely to understand that they may be at risk (see Figure 4.5).



**Figure 4.6: Reduction mindset by broker satisfaction (broker clients)**



Differences in mindset emerge when we look at broker satisfaction levels. Dissatisfied broker clients are more likely to say that they had not thought about whether they are under-insured, compared to more-satisfied broker clients (see Figure 4.6). Notably, more-satisfied broker clients are more likely to still feel confident in their coverage, which may be because they have been advised about their decision.

### Considerations for brokers.

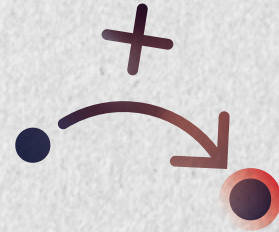
**1** Reductions in insurance are common amongst SMEs, with many not considering the potential risks of under-insurance. There is a clear role for brokers to educate SMEs on the need for careful decision making to avoid being inadequately protected and to ensure that a short-term saving in insurance does not risk significant negative financial impacts if the worst was to happen.

**2** More-satisfied broker clients are less likely to have reduced insurance without thinking about it, demonstrating the importance of brokers building strong relationships and open dialogue where SMEs consult their broker when making insurance decisions.



# The Research Methodology

**This report is based on research involving over 1500 business owners and decision makers from around Australia per year. The research was independently\* conducted in two stages:**



## Stage One – Quantitative Survey

A nationwide annual online survey of 1500 business owners and insurance decision makers was conducted, covering a range of business types, locations and sizes. This year's survey was conducted in October 2020 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;
- reactions to economic pressures;
- understanding of insurance premiums;
- understanding of Natural Disaster elements;
- claims experience;
- changes in communication channels;
- demographics.

Respondents were screened to ensure that they were responsible for making insurance decisions for their businesses. Quotas around state and business size ensured that representative samples were obtained. Businesses were divided into three groups, following ABS standards:

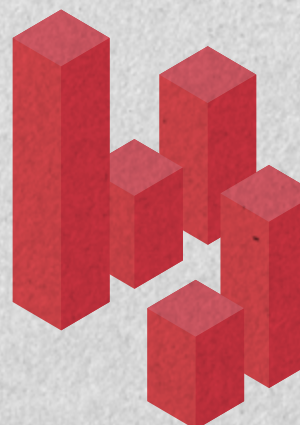
Micro Businesses which employ 1-4 individuals

Small Businesses which employ 5-19 individuals

Medium Businesses which employ 20-199 individuals

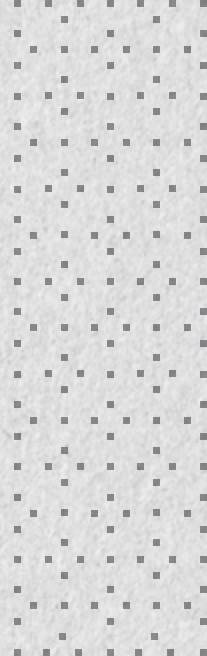
## Stage Two – In-Depth Qualitative Interviews

A series of interviews were conducted with eight SME respondents representing a mix of business sizes, types, attitudes to insurance, insurance purchasing channels and demographics. These interviews were held at the respondents' workplaces during February 2021.



\*This research was conducted by BrandMatters. See [www.brandmatters.com.au](http://www.brandmatters.com.au).





## What chapters are to come in April?

### Changing communication preferences

Communication has changed due to the pandemic. But does everyone want to revert back to face-to-face or is there an acceptance and convenience to web-based communications?

### Claims and natural disasters

Natural disasters are becoming an increasingly regular feature of Australian life. How informed are SMEs about the risk, and how confident do they feel about their insurance coverage in the face of these disasters?

**For information about media enquiries, please contact:**

**Kate Sinclair**

Communications & Media Manager  
Corporate Affairs

Mobile: +61 448 488 281

Email: [kate.sinclair@suncorp.com.au](mailto:kate.sinclair@suncorp.com.au)

Level 29, 266 George Street, Brisbane QLD 4000

**[vero.com.au](http://vero.com.au)**

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