

SME Insurance Index 2024

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Introduction

Strong professional relationships have never been more important in business than they are right now. With a turbulent economy and inflation costs causing fiscal pressures globally, there's a sense that while the system can no longer be trusted, people still can.

The impact of interest rate rises across the globe is yet to be felt in full, and some are expecting 2024 to be an even more difficult year, economically.

After the past few years plagued by pandemics, natural disasters and political tensions, the insurance industry could have easily been a target of distrust. However, the sentiment among customers towards insurance providers, particularly brokers, appears to reflect their relevance and value.

This is predominantly due to the sector's ability to establish strong relationships with its customers, to really look at clients' businesses, see their challenges, look at ways to help mitigate risk and have the foresight and vision to provide insurance products that can lead to better outcomes.

For these reasons, businesses are increasingly looking to insurance brokers as trusted advisors for the safety and security that the insurance industry can provide.

In this 13th edition of the Vero SME Insurance Index, we have spoken to insurance decision makers in 1,500 SMEs (<200 employees) and 250 large businesses (200+ employees) throughout Australia about their attitudes, needs and behaviours toward insurance and insurance brokers - we are pleased to share that the insights have been overwhelmingly positive.

The findings have highlighted the critical role insurance providers and brokers continue to play in helping businesses to reduce risk, protect their assets, and support their growth, through smart insurance decisions - particularly in times of austerity.

We hope that you find this Vero SME Insurance Index a useful source for your planning in the year ahead and the opportunities it presents.



Anthony Pagano

Vero Head of Distribution,
Commercial Insurance



Research methodology

This report is based on research involving over 1,750 business owners and decision makers from around Australia. The research, commissioned by Vero Insurance, was independently conducted by BrandMatters* in two stages:

Stage One - Quantitative Survey

A nationwide online survey of 1,500 SME and 250 large business owners and insurance decision makers was conducted, covering a range of business types and locations. The survey was conducted during September 2023 and the data was weighted by 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;
- ▶ 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 five groups:

Micro Businesses

which employ 1-4 individuals

Small Businesses

which employ 5-19 individuals

Medium Businesses

which employ 20-199 individuals

Large Businesses

which employ 200-499 individuals

Very Large Businesses

which employ 500 or more individuals

Stage Two - In-Depth Qualitative Interviews

A series of interviews was conducted with 10 business insurance decision makers representing a mix of business sizes, types, attitudes to insurance, insurance purchasing channels and demographics. These sessions were held online during December 2023.

*See www.brandmatters.com.au



A note on the large business data in this report

This year, we have included 250 insurance decision makers from large businesses within the results. While this larger base size makes the results more statistically robust, we have still ensured the total results accurately reflect the wider Australian market by weighting results. Data from ABS shows that large businesses make up less than 0.2% of all Australian businesses.

<https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release#data-download>

Chapter 1

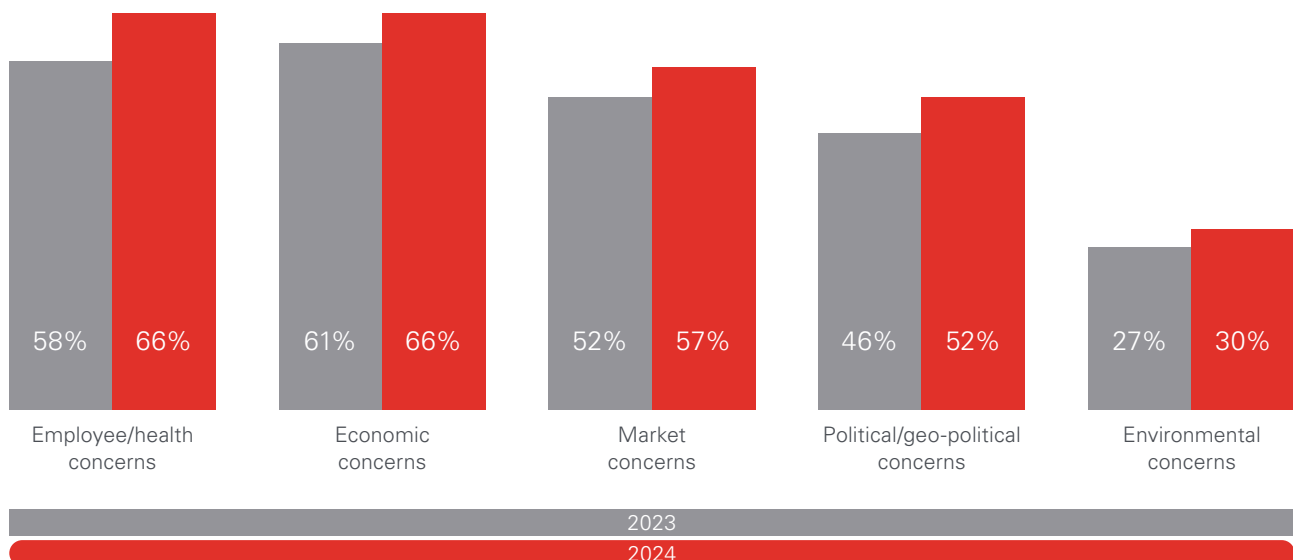
The continuing impact of the economy on insurance behaviour

In a year beset by increasing interest rates, stubborn inflation, ongoing labour shortages and sluggish growth, businesses are unsurprisingly worried. In last year's SME Insurance Index, we saw some businesses were making changes to their insurance because of economic concerns. The trend has continued this year.

Increasing levels of concern across a range of issues

In fact, businesses are increasingly concerned about a wide range of issues, from the well-being of their employees to the environment. Last year, concerns about the economy were the highest rated, while this year concerns about employees and the economy share top billing. 66% of businesses claimed to be concerned about employees and health-related issues, up from 58% in 2023. Another 66% are concerned about the economy, up from 61% in 2023 (see Figure 1.1). Notably, levels of concern have increased across all areas, suggesting a generally heightened sense of concern in the business community.

Figure 1.1: Business concerns



Whilst these trends are similar across all businesses, levels of concern tend to increase as businesses become larger (see Figure 1.2). In particular, businesses with between 200 and 499 employees show the highest or second highest level of concern, suggesting that this group are the most worried overall. Businesses of this size are generally reasonably complex, and yet may not have the internal resources and specialist expertise of very large businesses, suggesting that they may particularly benefit from the support of external advisers like insurance brokers.

Looking at more specific concerns, mental health is a significant worry for over a quarter of businesses, increasing from 23% last year to 26% this year (see Figure 1.3). Health and safety risks also remain high at 23%. Maintaining COVID safe practices remains a concern for 22% of businesses, suggesting that despite the passage of time COVID is still impacting businesses.

Figure 1.2: Business concerns by business size

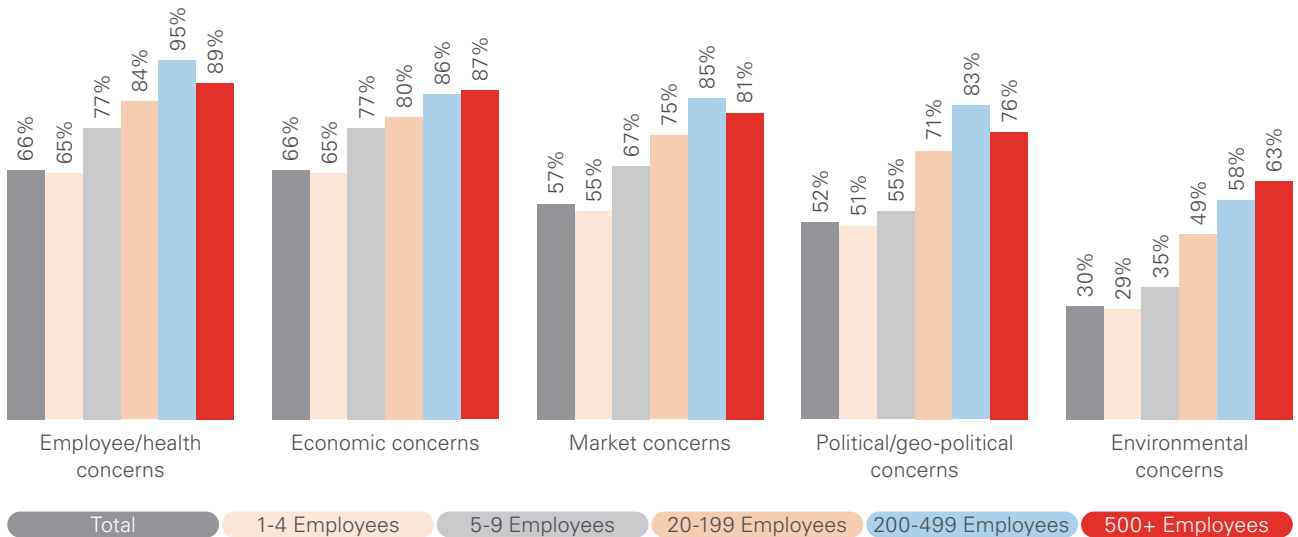
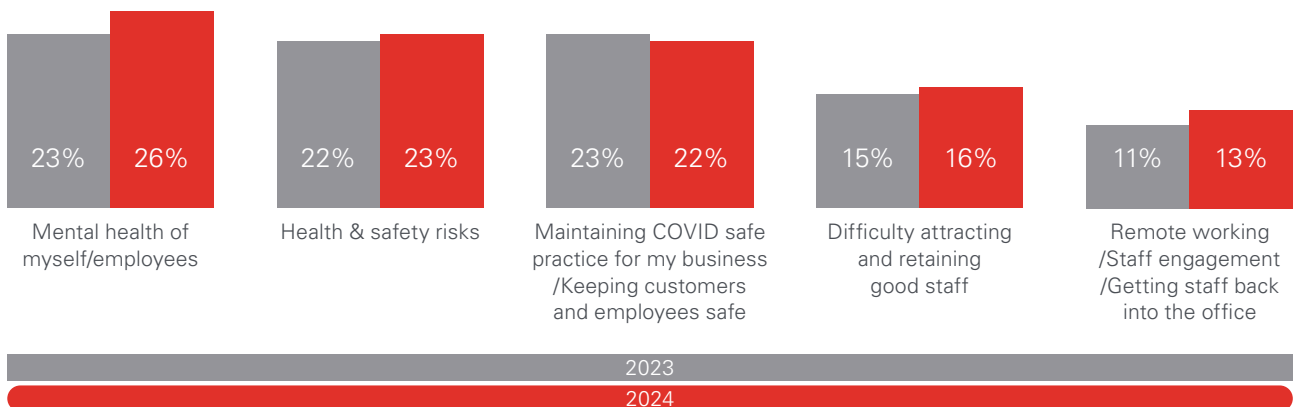


Figure 1.3: Employee/health concerns



As businesses become larger and employ more people, these employee-related concerns are increasingly important. In particular, 44% of very large businesses rate mental health as a concern compared to 26% of businesses overall (see Figure 1.4).

Increasing costs continue to dominate economic concerns, with 37% saying that this is a major concern, up from 36% last year. An increasing number are worried about the risk of economic downturn, from 25% last year to 27% this year, suggesting that many may be cautious about taking on extra risks or expenses at this time.

Figure 1.4: Employee/health concerns by business size

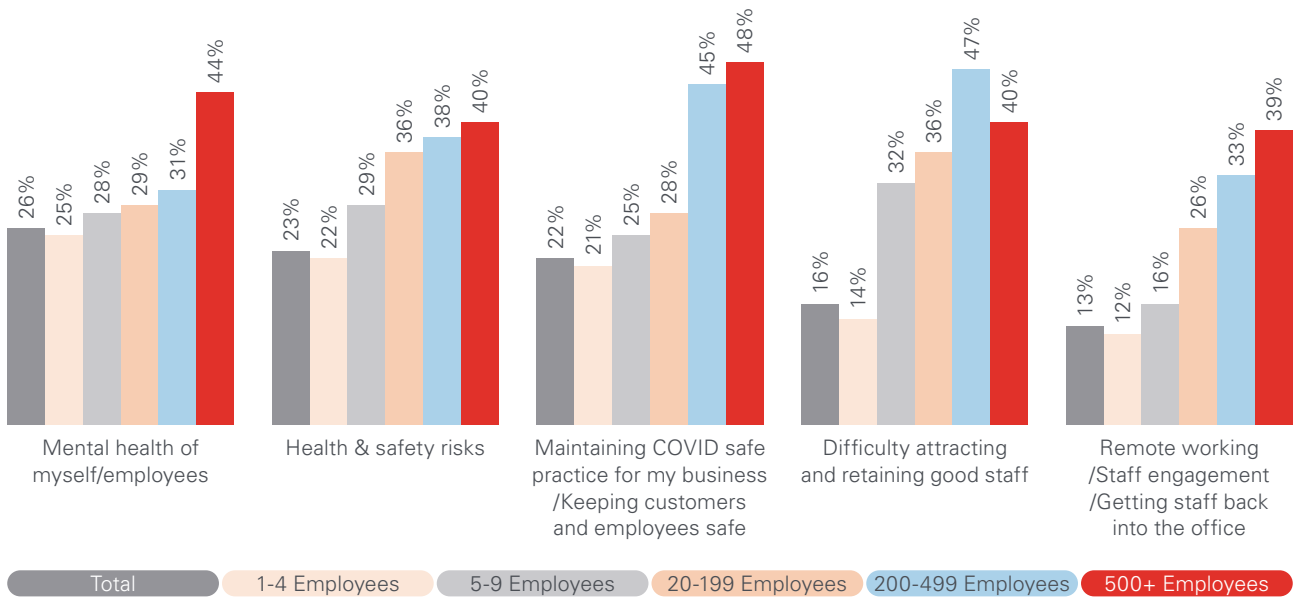
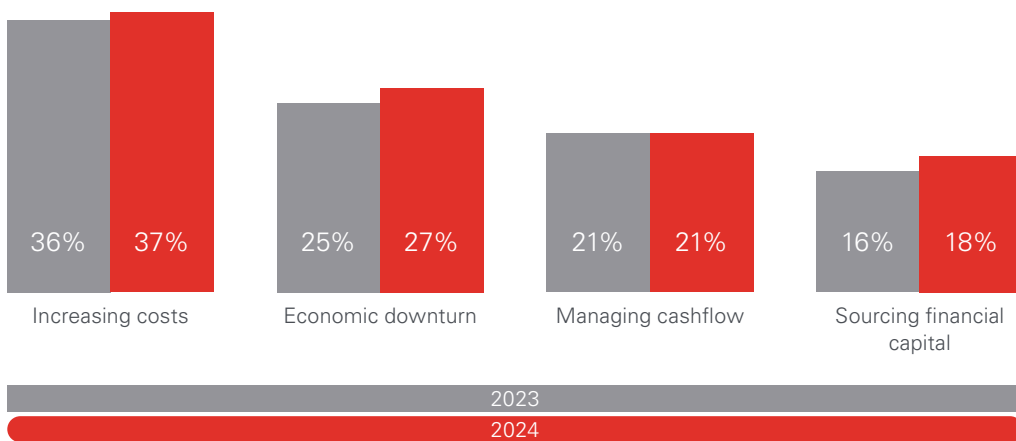


Figure 1.5: Economic concerns



Many businesses are experiencing tangible impacts from the economic conditions

Inflation is continuing to bite. When asked about the specific impact of a range of economic variables, 35% claim to be experiencing a major or moderate impact from inflation, jumping up from 27% last year (see Figure 1.6). We can expect that this impact of inflation may flow onto decision making, which is something for brokers to bear in mind when talking to clients and understanding their current situation and attitudes. Notably, supply-related issues are flat compared to last year. While they are still an issue, they are no longer as dominant as they were a year ago.

During the COVID pandemic years, a majority of businesses experienced significant declines in revenue. While there has been some recovery, turnover is still declining for many businesses. This year, almost half of all businesses (49%) reported that their turnover had declined in the last twelve months, a rate of decline which is virtually unchanged from 51% last year (see Figure 1.7). This is clear evidence that many businesses are struggling, which is likely to be having an ongoing influence on the decisions that they make for their business. To understand this, we have explored specifically how this is impacting insurance behaviour.

Figure 1.6: Impacts from economic events

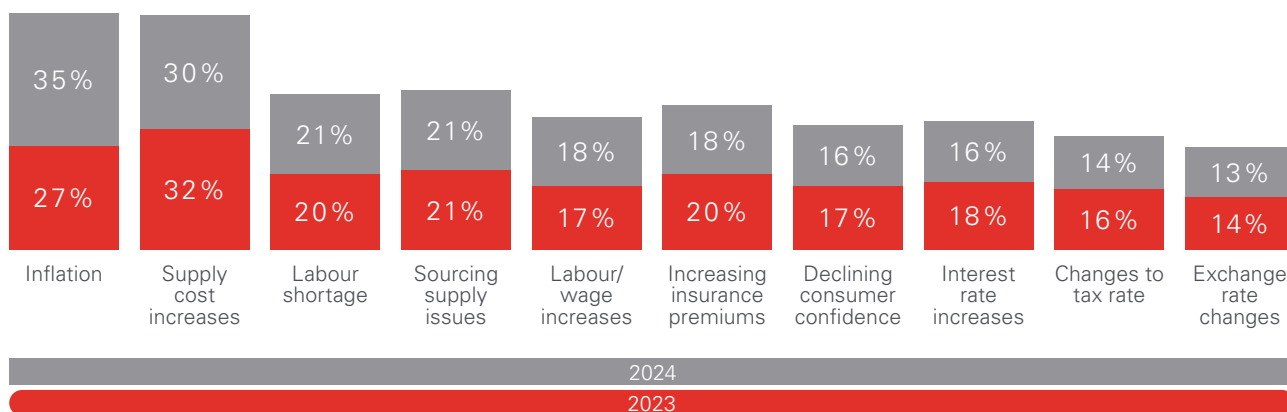
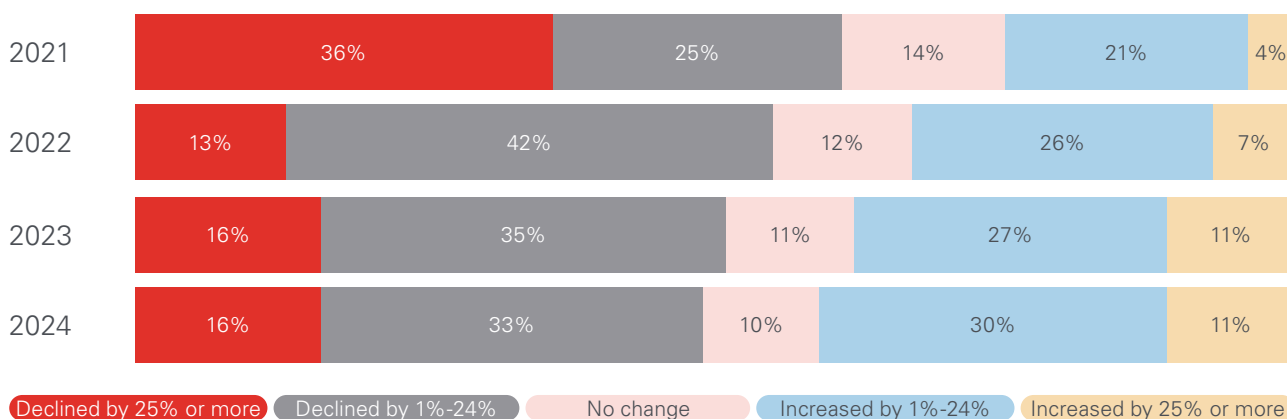


Figure 1.7: Business turnover changes in last year



The economy is prompting many to review their insurance

Over the last year, 51% of businesses claim to have made changes to their insurance as a direct result of the economic conditions (see Figure 1.8). The most common change made is increasing excess levels, presumably to reduce premiums and therefore take pressure off expenses. 10% claim to have reduced their sums insured. In difficult times, these changes may be valid (for example in the case of declining turnover). However, it is important that any changes made are with full consideration of the business' risk profile, and therefore brokers can play a critical role to ensure that businesses make appropriate insurance decisions.

It is important to note that 83% of businesses are considering changes to their insurance in the future, underlining the current volatility in decision-making (see Figure 1.9). Not all changes are negative, with 29% contemplating increasing their cover. However, around 1 in 5 are considering cancelling some of their insurance, which reinforces the need for brokers to stay in contact with clients and help them through insurance decision making with expert advice.

Figure 1.8: Insurance changes made due to economic events

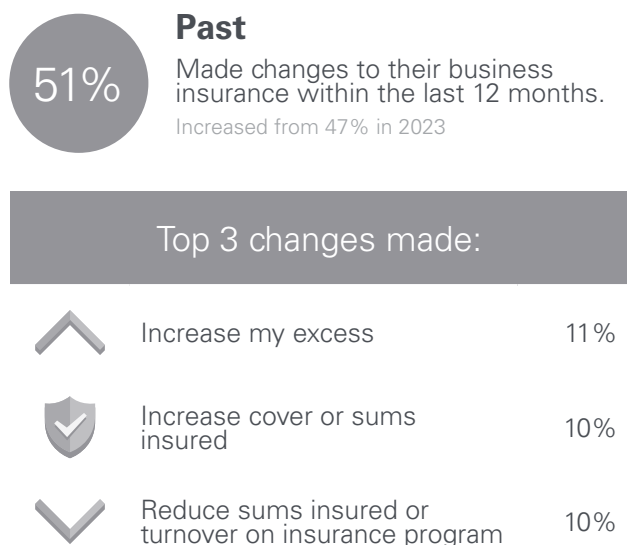
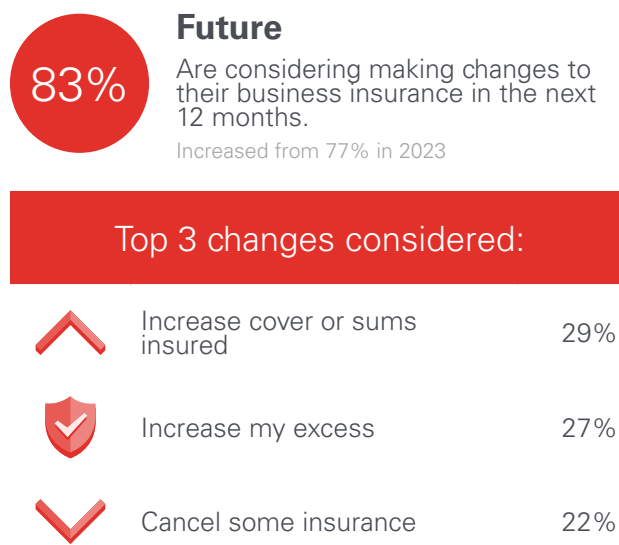


Figure 1.9: Insurance changes considered due to economic events



Insight

Action

Insight:

Increasing costs continue to impact many businesses.

Action:

Brokers need to continue to be aware that cost fears may impact decision-making and check in with their clients to see how they are coping. Brokers can provide tailored advice and support where relevant to help businesses make sound insurance decisions.

Insight:

As business pressures increase, business decision makers are increasingly concerned about risks such as employee health and safety, and economic and market concerns.

Action:

Brokers can position themselves as trusted advisors, guiding businesses through these complexities and helping them understand their risk exposure and mitigation strategies.

Insight:

Half of all businesses made changes to their insurance in the last year, and most businesses are considering making changes in the future.

Action:

Brokers need to keep in contact with clients to ensure that they make informed decisions about their business insurance, and provide relevant, tailored advice and options for maintaining appropriate levels of insurance in challenging economic times.



There's a lot more uncertainty. A decrease in people's appetite for risk and an increase in looking to make sure that you have the things in place to manage that risk more so than ever before, and I think that's come because of what's been happening globally.



Ross - IT Consulting

Chapter 2

Sentiments towards insurance are shifting

Australian businesses have faced a raft of challenging conditions over the last few years, dealing with everything from natural disasters to a global pandemic and now economic uncertainty.

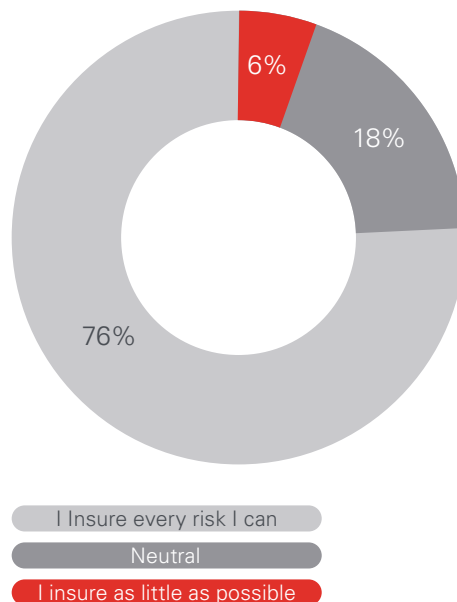
While these conditions have delivered plenty of bad news, in encouraging signs, data from the Index suggests that businesses are feeling increasingly positive about insurance.

Most businesses claim to have a positive approach to insurance

This year for the first time, we asked businesses to choose their approach to insurance, from minimal (“I insure as little as possible”) to comprehensive (“I insure every risk I can”). The results were extremely clear, with only 6% of businesses saying that they insure the bare minimum, while a massive majority of 76% insure every risk they possibly can (see Figure 2.1).

Delving deeper into the data, it appears that this attitude is widespread. Those who say they insure every risk are slightly more likely to be larger businesses and heavier broker users, but are in the majority in every demographic. Insurance is evidently highly relevant and important to businesses, and brokers can feel confident that the services they deliver matter to clients.

Figure 2.1: Approach to insurance

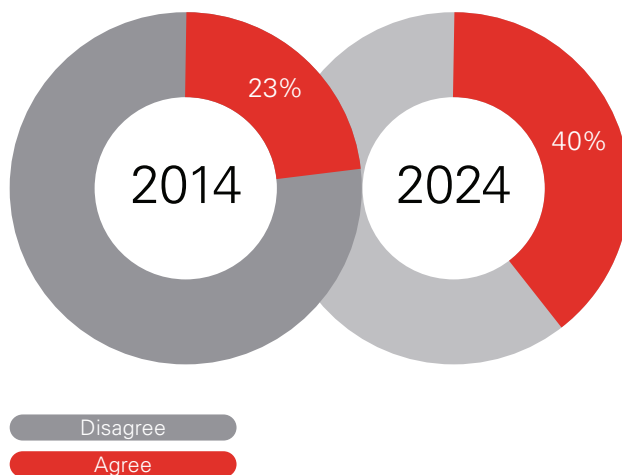


Businesses are increasingly questioning their cover in challenging times

In a sign that insurance is top of mind for many, the last decade has seen a significant lift in those who agree that “recent events have made me question my cover”, from 23% in 2014 to 40% in 2024 (see Figure 2.2). COVID, natural disasters and the current economic environment appear to have impacted businesses’ approach to their level of cover. Is this uncertainty making insurance more relevant for businesses, driving a general flight to security?

Figure 2.2: Attitudinal trends to cover

“Recent events have made me question my cover”



Insurance provides peace of mind

Over the last five years (since before the onset of the pandemic), there has been a marked increase in those who agree that insurance gives them peace of mind, from 67% in 2019 to 82% in 2024 (see Figure 2.3). At the same time, levels of mistrust are falling. There has been a decline in agreement with the statement “at the end of the day, you can’t trust insurance companies” from 43% in 2019 to 34% in 2024 (see Figure 2.4).

Which begs the question - has insurance cynicism been replaced with security-seekers, due to an increase in economic concern? Correspondingly - has an increase in economic concern caused a shift from insurance cynicism to security-seeking behaviour?

Figure 2.3: Attitudinal trends to insurance and peace of mind

“Being insured gives me peace of mind”

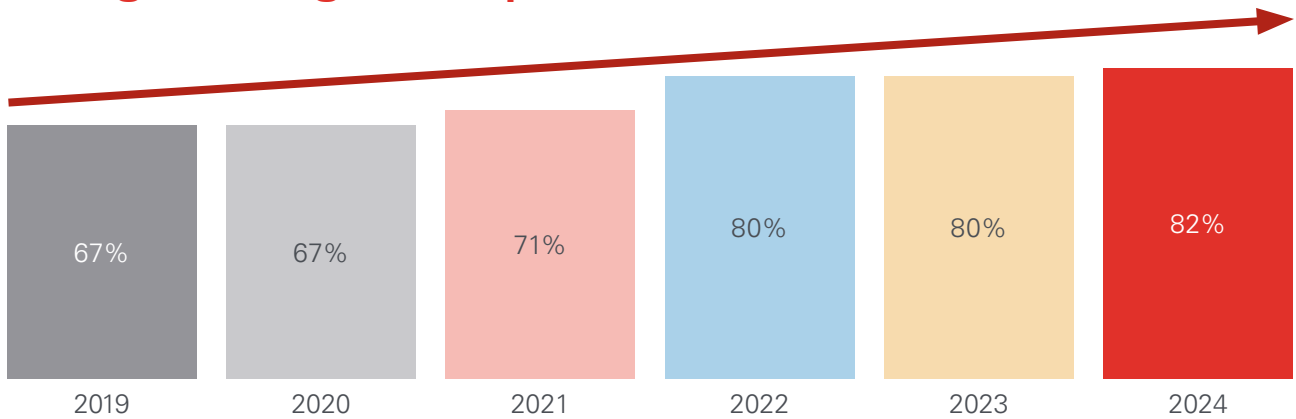
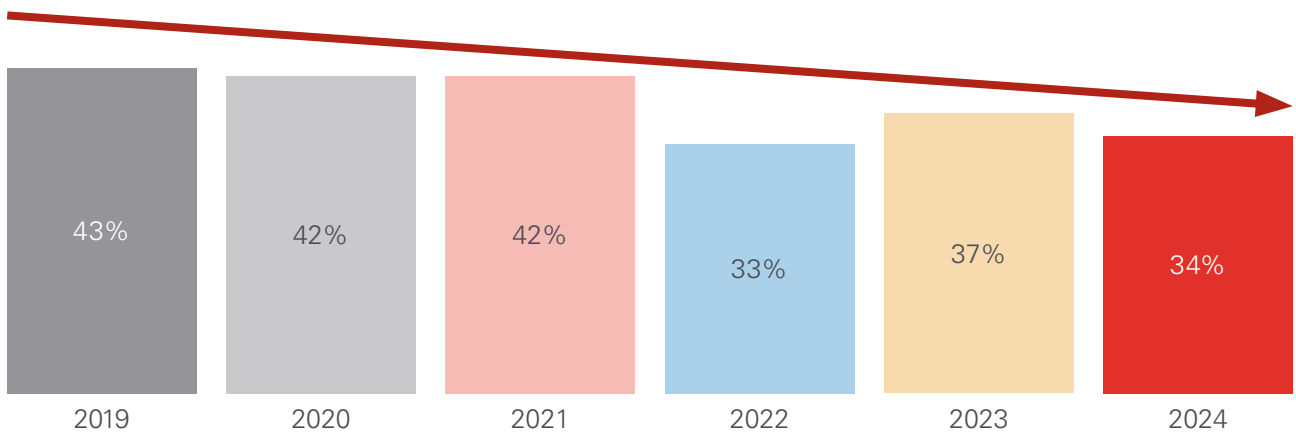


Figure 2.4: Attitudinal trends to insurance company trust

“At the end of the day, you can’t trust insurance companies”



Insight

Action

Insight:

In challenging times, it appears that concern about the economic environment and general uncertainty may be starting to overtake cynicism, with businesses less likely to view insurance as a grudge purchase, and more appreciative of the peace of mind that insurance delivers.

Action:

Brokers can leverage this increased positivity towards insurance to have more positive, engaged conversations about risk, and demonstrate how they can help businesses benefit from strong risk management.



We never want to claim on our insurance, so we're regularly analysing everything we do.

It makes me more comfortable each night I go home knowing that my business is protected, I'm protected if something happens at work and can continue on.



Mark - Freight Forwarding

Chapter 3

The ever-evolving mix of insurance purchase channels

The insurance purchasing environment is becoming more complex, as businesses increasingly embrace a hybrid approach, blending utilisation of brokers and direct channels for their insurance needs.

Mixed usage of brokers and direct continues to grow

Identified in previous years of the Index, the trend of buying business insurance through a mix of channels - both broker and direct - has become increasingly pronounced this year. In 2024, only 10% of businesses describe themselves as heavy broker users (those who claim to buy over 90% of their insurance through a broker) which is down compared to 27% of businesses in 2018 (see Figure 3.1). Over the same timeframe, non-broker users (those who don't buy any insurance through a broker), have reduced from 31% to 18%.

What we are seeing is an increase in the proportion of people who use a mix of channels to buy their business insurance. Within this group there are two types of mixed channel users - light users (those who buy 1-50% of their business insurance through a broker) and then there are moderate users (those who buy 51-90% through a broker).

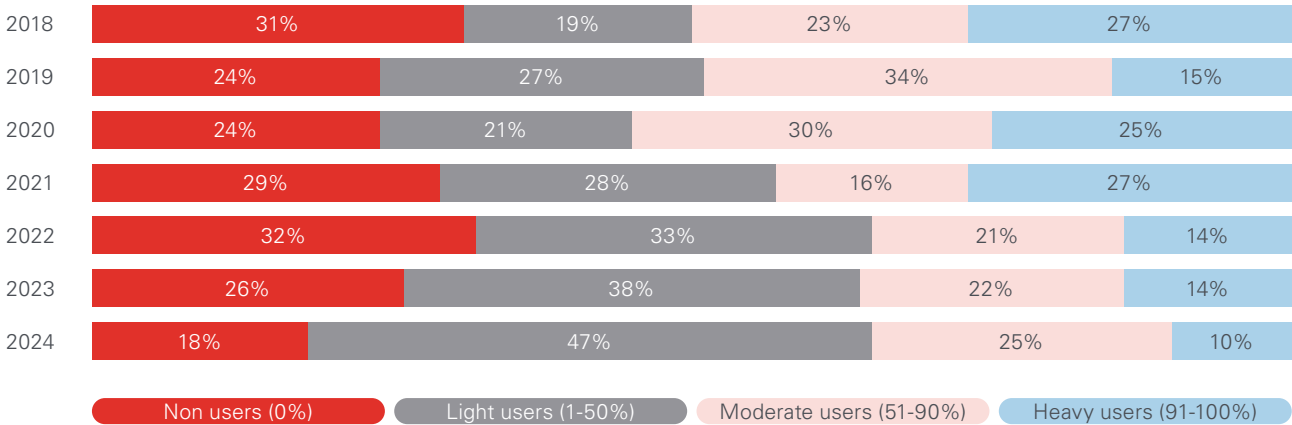
The strongest growth is amongst light users. This group has grown from 19% to 47%, while moderate users have remained broadly stable at around 25%, although this number fluctuates from year to year.

These light users probably only buy one or two policies through a broker, and therefore are unlikely to be getting comprehensive risk advice that reflects the full risk profile of their business.

However, they also represent an opportunity for brokers to build on this partial relationship to encourage them to buy more of their insurance through a broker.

This is a notably easier option for brokers than attracting brand new clients. So, what can brokers do to ensure they are involved with as much of their clients' insurance as possible, and provide the benefit of holistic risk advice rather than simply providing one or two ad-hoc policies?

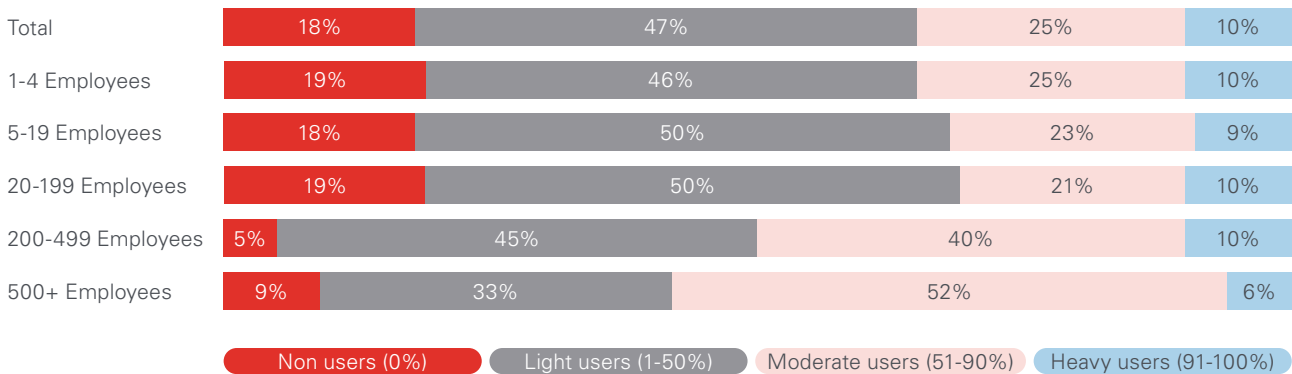
Figure 3.1: Proportion of policies bought through a broker



Comparing business types, mixed usage is highest amongst large and very large businesses. Unsurprisingly, given their complexity, only a very small percentage (less than 10%) of these businesses buy all of their insurance direct (see Figure 3.2). However, similarly small percentages of large and very large businesses use brokers for all or almost all of their insurance. Very large businesses are more likely to be moderate broker users, with 52% buying between 51% and 90% of their insurance through a broker.

However, large businesses (those with between 200 and 499 employees) are more likely to be light broker users, with 45% claiming to buy half or less of their business insurance through a broker. Businesses of this size are likely to benefit from the expertise of insurance brokers, and yet it appears that many may not be receiving holistic advice across the full extent of their insurance policies.

Figure 3.2: Proportion of policies bought through a broker by business size



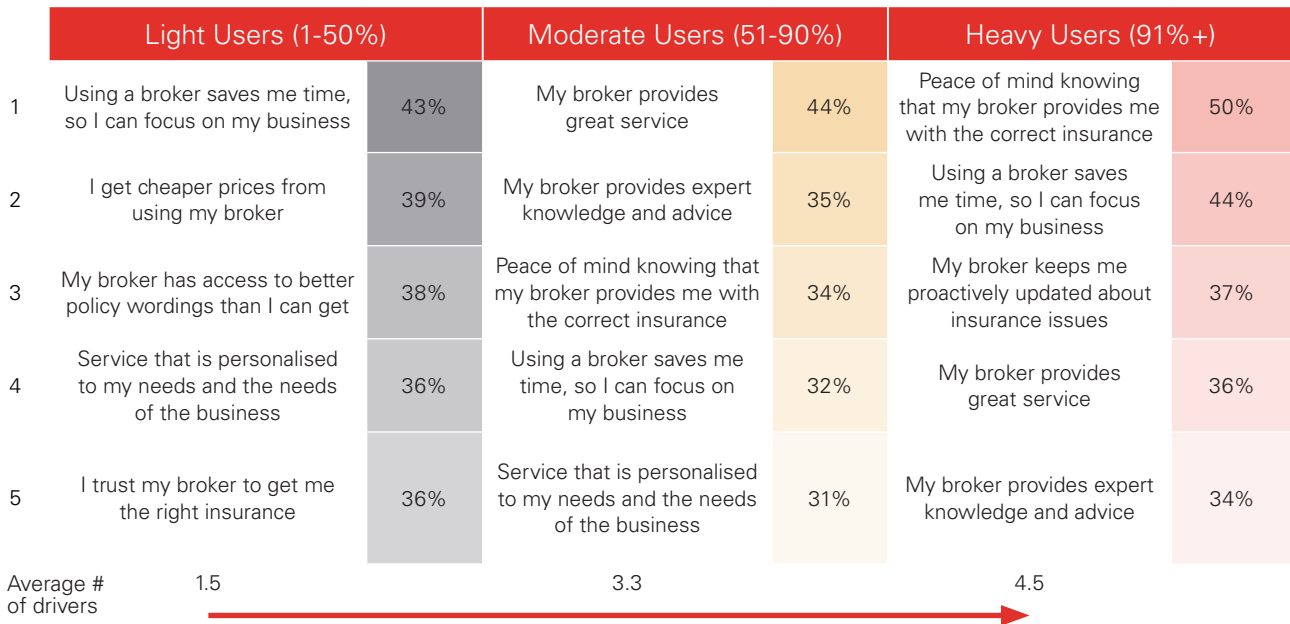
Uncovering the differences between light, moderate and heavy broker users

To further understand what is driving broker usage, we have compared the reasons why heavy, moderate and light users choose to use a broker. The data suggests that light users are more likely to use brokers for functional reasons such as time saving and cheaper prices (see Figure 3.3). In contrast, moderate and heavy users appear to have a greater appreciation for the brokers' skill and added value services and are more likely to cite reasons such as peace of mind, expertise and proactive advice.

Heavier broker users also nominate a wider range of reasons, suggesting deeper engagement and appreciation of the value a broker adds, while lighter users are more likely to simply name one or two reasons to work with a broker.

Figure 3.3: Broker drivers by broker usage

Reasons to work with a broker



Differences also emerge when we compare the types of tasks that businesses say their brokers undertake on their behalf, with moderate and heavy users more likely to say that their broker does more proactive tasks such as providing in-depth analysis and providing risk advice (see Figure 3.4).

Once again, light users are more likely to say that their brokers do more functional tasks.

Figure 3.4: Broker tasks by broker usage

Tasks performed by broker

		Light Users (1-50%)	Moderate Users (51-90%)	Heavy Users (91%+)
1	Finds the cheapest policies	67%	Provides in-depth information and analysis on all the insurance options available 72%	Helps me find ways to more cost-effectively insure my business 71%
2	Provides me with information on changes to insurance or regulatory requirements	65%	Helps me find ways to more cost-effectively insure my business 69%	Provides me with recommendations as to how I may reduce/mitigate risk 66%
3	Undertakes all administration and paperwork related to my insurance policies	62%	Takes the stress out of finding the right cover 68%	Takes the stress out of finding the right cover 65%
4	Takes the stress out of finding the right cover	61%	Undertakes all administration and paperwork related to my insurance policies 68%	Undertakes all administration and paperwork related to my insurance policies 65%
5	Assesses the risk profile of my business and recommends the most appropriate insurance	61%	Checks up on any changes to my business that may impact my insurance 65%	Assesses the risk profile of my business and recommends the most appropriate insurance 64%
Average # of tasks		9.2	10.3	9.3

Notably, risk-related tasks provide a clear point of contrast, with heavier users more likely to have brokers who deliver these services to their clients. For example, 66% of heavy broker users have brokers who provide them recommendations on mitigating risk, compared to only 56% of light users (see Figure 3.5).

This suggests that risk-related tasks are a valuable differentiator, and brokers could consider offering risk assessments and recommendations around risk mitigation to entice mixed users to buy more of their insurance through a broker.

Figure 3.5: Brokers that complete risk-related tasks by broker usage

Proportion of broker-users indicating their broker does each task

Provides me with recommendations as to how I may reduce/mitigate risk



Price is also a significant differentiator between broker user groups. Light users are more likely to say that their broker finds the cheapest policies (see Figure 3.6). In contrast, moderate and heavy users are more likely to be focused on cost-effectiveness and value, with 71% of heavy users saying that their broker helps them find ways to more cost-effectively insure their business, compared to only 51% of light users.

Having conversations about cost effective insurance may help light users understand the value that brokers deliver and encourage more usage of brokers for more of their insurance.

Figure 3.6: Brokers complete cost-related tasks by broker usage

Proportion of broker-users indicating their broker does each task

Finds the cheapest policies



Helps me find ways to more cost-effectively insure my business



It appears there are two contrasting groups of broker users. Some appear to primarily engage brokers simply as a purchase channel, while others may see their broker as a risk adviser. Brokers, with their deep understanding of the insurance landscape and their clients' businesses, are well-positioned to provide valuable insights into risk mitigation, going beyond the realm of insurance procurement.

However, there seems to be a gap between this ideal and the reality, with some businesses still largely treating brokers as a purchase channel. To bridge this gap, it is vital for brokers to proactively demonstrate their value as trusted advisers.

Insight

Action

Insight:

Businesses are increasingly using a mix of channels to buy their insurance, with light usage (<50% of all insurance bought through a broker) increasing fastest.

Action:

Brokers have a valuable opportunity to consider ways to encourage their current light clients to buy more of their insurance through their broker, so that they receive the benefit of more holistic insurance and risk advice.

Insight:

Brokers have the advantage of understanding their clients' businesses on a personal level.

Action:

This enables them to match their clients with tailored insurance solutions that meet their specific needs and risk profiles, thus adding value to the client-broker relationship.

Insight:

Heavier users are more likely to have brokers who do risk assessments and provide recommendations around risk mitigation.

Action:

Undertaking more risk-related tasks may be an effective way for brokers to prove their expertise and the value they provide, and therefore encourage more light users to consider using a broker for more of their insurance.

Insight:

Light users are more likely to say that their broker gets them the cheapest policies, while heavier users talk more about getting "cost-effective" insurance from their broker.

Action:

While cost is a key driver for most businesses, providing value for money instead of simply the lower price is more likely to be a better way for brokers to prove their worth and therefore to encourage more clients to buy more of their insurance through a broker.

Insight:

Some businesses are primarily engaging brokers simply as a purchase channel, as opposed to a risk adviser.

Action:

Brokers can actively demonstrate their role beyond transaction facilitation. Offering tailored advice based on an understanding of a business and its risk profile can help guide towards appropriate risk prevention measures and insurance coverage.

Chapter 4

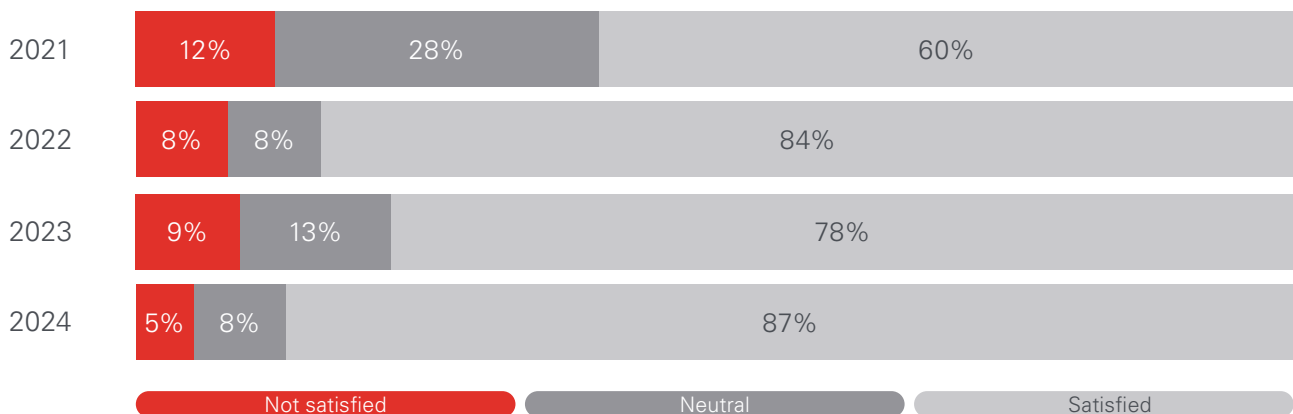
Building stronger, more engaging client relationships

Insurance broking is a relationship business, and building effective, enduring relationships is central to the success of insurance broking businesses. Over the last 13 years, the Vero SME Insurance Index has aimed to uncover insights to help brokers understand what businesses are looking for from their brokers and how brokers can best meet their needs. This year, we have conducted a deep analysis into the factors that have the strongest influence on how clients feel about their broker.

Satisfaction with brokers is at an all-time high

Over recent years, the Index has tracked strong increases in client satisfaction with their brokers. This year, a staggeringly high 87% of broker clients gave their broker a score of at least 8 out of 10, up from 78% in 2023 and 84% in 2022, which was a previous record (see Figure 4.1).

Figure 4.1: Broker satisfaction



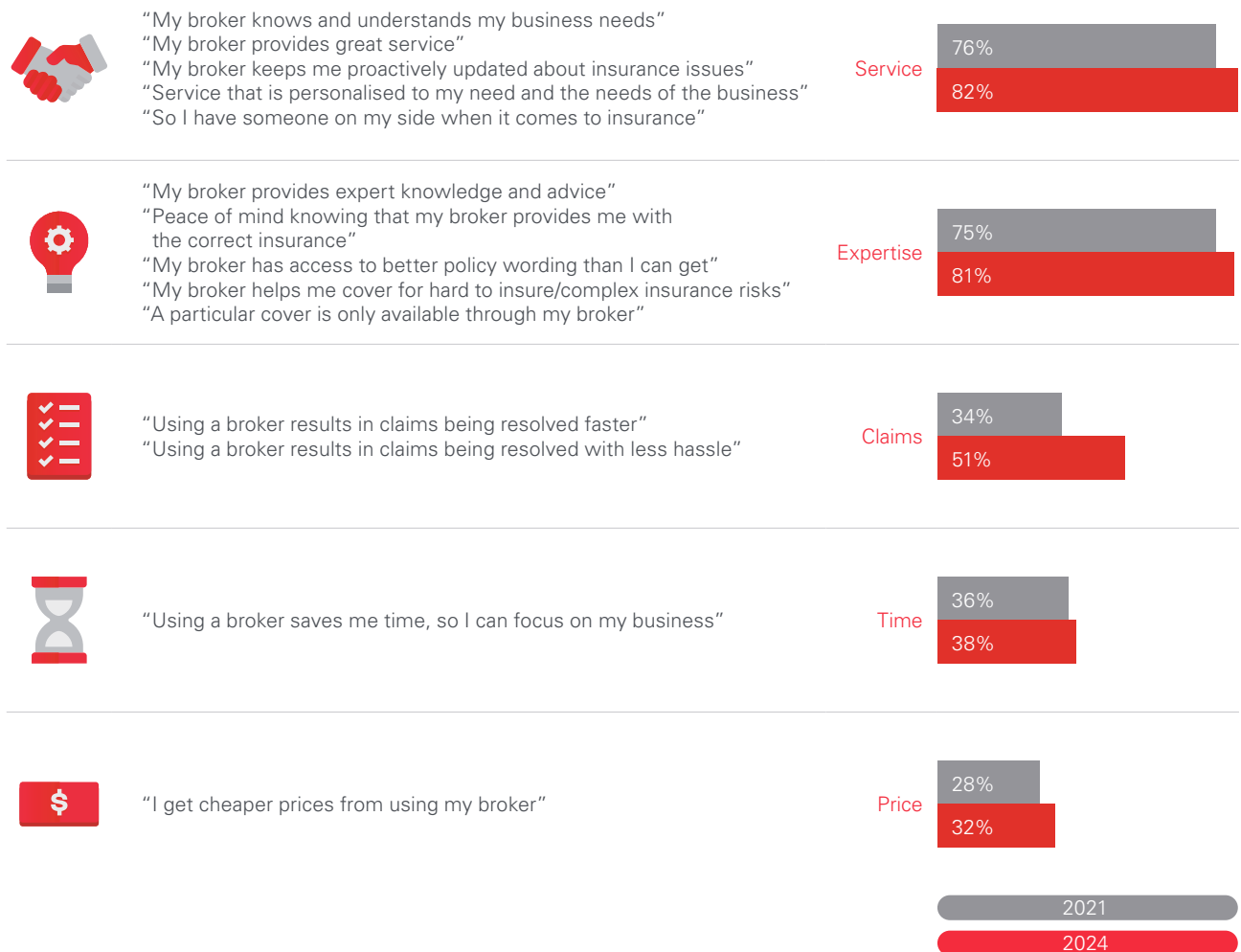
Factors that may be influencing high satisfaction levels

This gratifying result is a credit to the profession as a whole, and raises interesting questions: What is driving this high level of satisfaction, especially given more people are using brokers only for some of their business insurance needs? What characteristics of broker use can brokers leverage to build even stronger relationships with their clients?

To explore these questions, we first examined the reasons that broker clients give for choosing to buy their insurance through a broker and how these have changed in the last three years.

All reasons to use a broker have increased, suggesting that brokers are delivering valuable outcomes across a range of areas and providing a potential explanation for the increases in satisfaction. In particular, 82% of broker clients cite good service as a reason to use a broker, up from 76% in 2021 (see Figure 4.2). Expertise is an equally important broker benefit, which increased to 81% in 2023 (75% in 2021). The highest increase came from claims, with 51% saying that claims are a reason to use a broker, a significant lift from 34% in 2021.

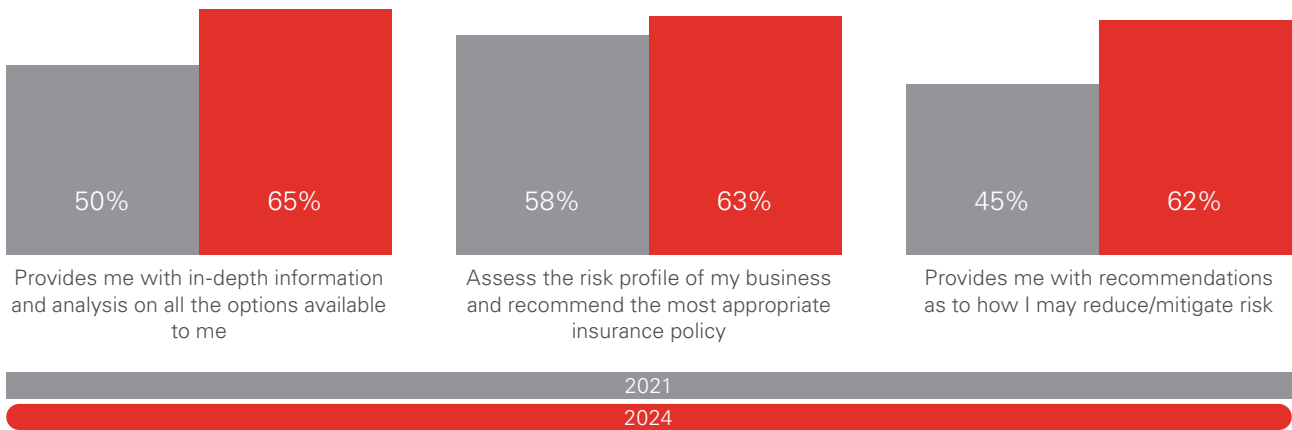
Figure 4.2: Reasons to use a broker



Looking at the tasks that brokers are undertaking for clients gives another insight into what is driving this growth in satisfaction. In particular, we have seen substantial increases in businesses saying that their broker performs value-added tasks. These include providing in-depth information and analysis (increased from 50% in 2021 to 65% in 2024),

assessing risk profiles (increased from 58% in 2021 to 63% in 2024) and providing recommendations on risk mitigation (increased from 45% in 2021 to 62% in 2024) (see Figure 4.3). These activities are potentially contributing to increased satisfaction and can also play an important role in demonstrating the specialist risk expertise that brokers deliver.

Figure 4.3: Reasons to use a broker



Specialist statistical analysis can help further support the role that value-added tasks can play in growing client satisfaction. Driver analysis shows the tasks that are most likely to influence satisfaction in Figure 4.4. This analysis gives brokers clear guidance on the types of tasks that are most likely to influence client satisfaction - such as,

helps businesses to find cost-effective ways to insure their business, provides in-depth information on changes to insurance or regulatory requirements, advocates on their behalf to insurance companies, and provide them with in depth information on how to reduce risk to their business.

Figure 4.4: Influence of tasks on satisfaction (Driver Analysis)

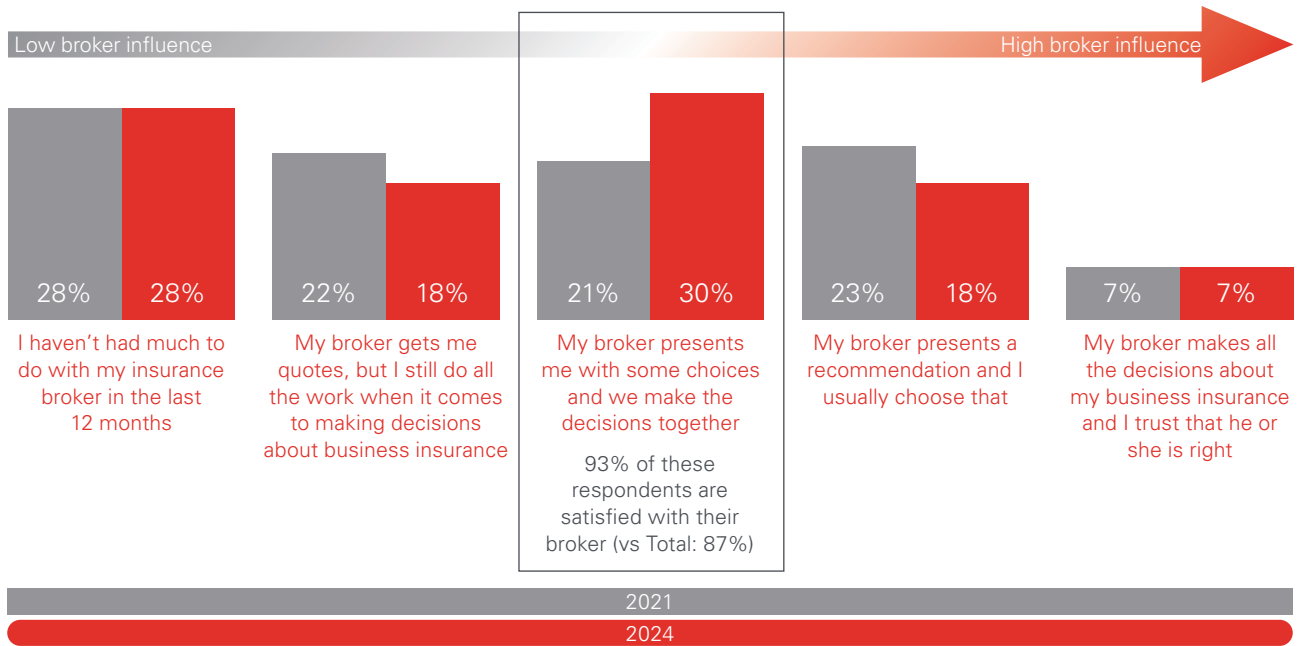


The data also shows a significant increase in businesses who have collaborative relationships with their broker. In 2024, 30% of broker clients say that they work together with their broker to make insurance decisions, up from 21% in 2021 (see Figure 4.5). These types of relationships are highly satisfying for clients, with satisfaction rates at 93% for those who claim to work collaboratively with their broker.

Meanwhile, the number who say that they haven't had much to do with their broker is flat at 28%.

Quality of relationships has always been a driver of satisfaction, and this increase in collaborative relationships is undoubtedly a factor influencing the overall increase in broker satisfaction.

Figure 4.5: Broker relationship



Claims are an important driver of satisfaction

This year’s data uncovers a clear correlation between satisfaction with the claims experience and overall satisfaction.

Among those satisfied with their broker, 74% also expressed satisfaction with their most recent claims experience (see Figure 4.6). In comparison, only 57% of those dissatisfied with their broker were satisfied with their claim, suggesting that claims can have a significant impact on overall client satisfaction.

Once again, claims data supports the importance of collaborative relationships. 86% of clients who work collaboratively with their broker were satisfied with their claims experience, compared to only 55% who have limited interaction with their broker (see Figure 4.7). This supports findings from previous years, that what businesses want most from claims is clear communication on process, because this clarity is only possible in collaborative relationships.

Figure 4.6: Satisfaction with recent claim by broker satisfaction

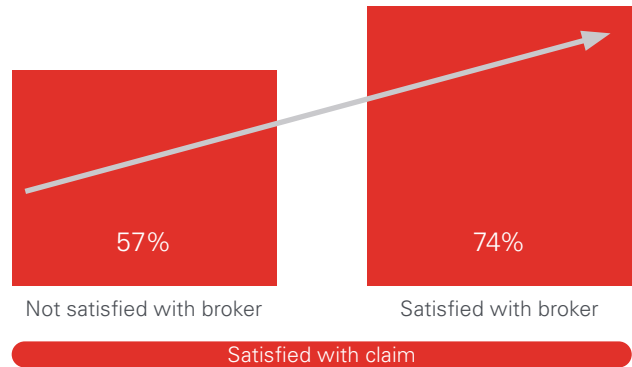
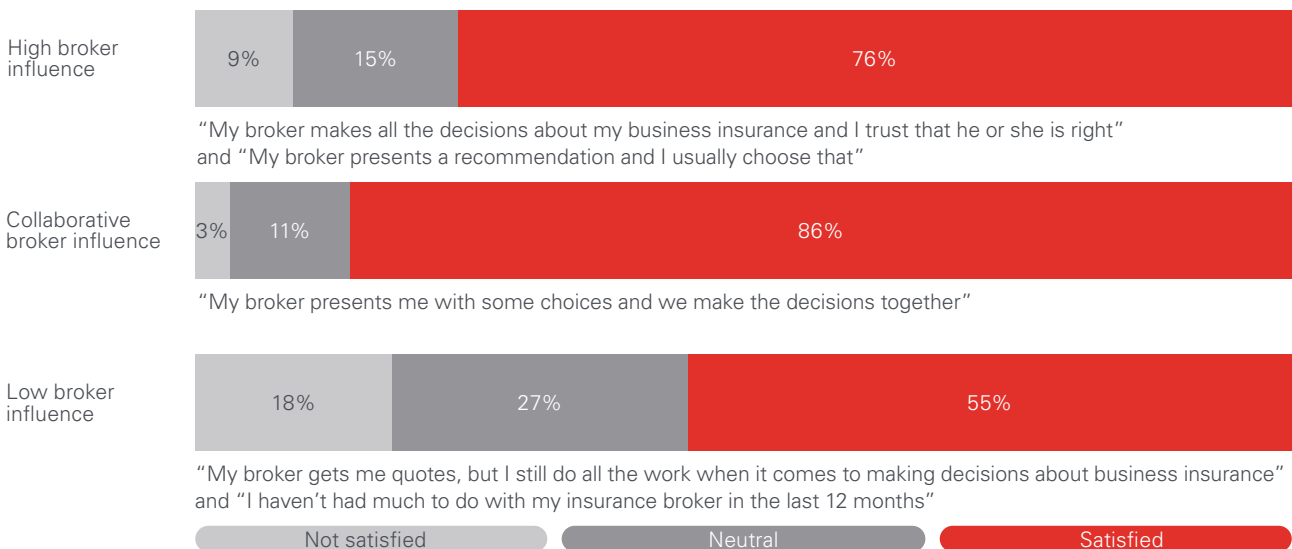


Figure 4.7: Claims satisfaction by broker relationship

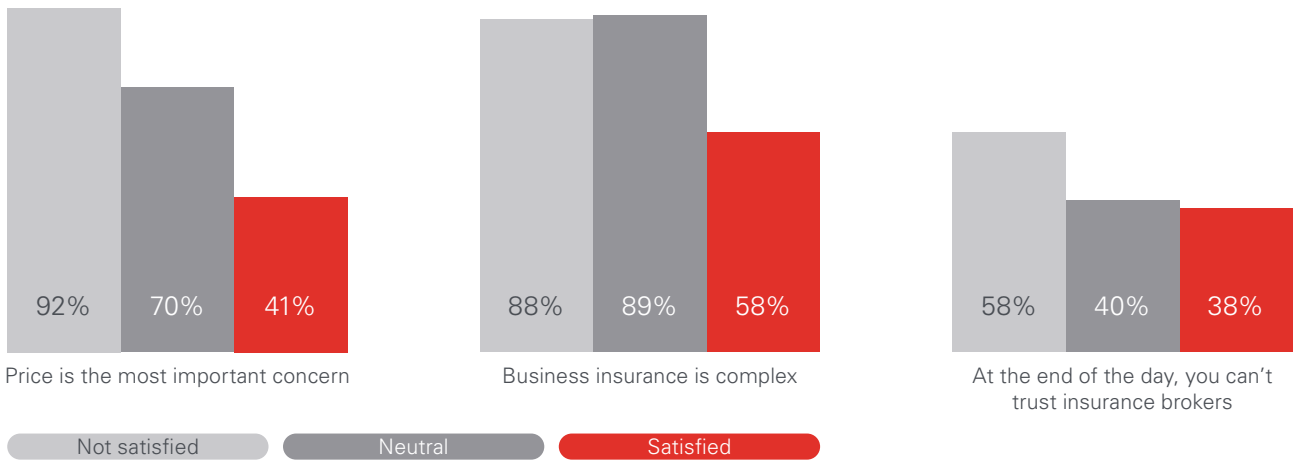


Conversely, those who are dissatisfied with their claims experience are more likely to be relatively cynical about insurance in general. 58% of dissatisfied claimants say that they don't trust insurance companies, compared to 38% of satisfied claimants. This indicates that claims are key moments where that trust can be eroded if the claims experience doesn't align with client expectations.

Interestingly, 92% of dissatisfied claimants think that price is the most important concern when it comes to insurance, compared to only 41% who are satisfied (see Figure 4.8).

This suggests building strong relationships that help clients feel more knowledgeable and trusting can lead to better claims experiences and help demonstrate the value of insurance beyond price.

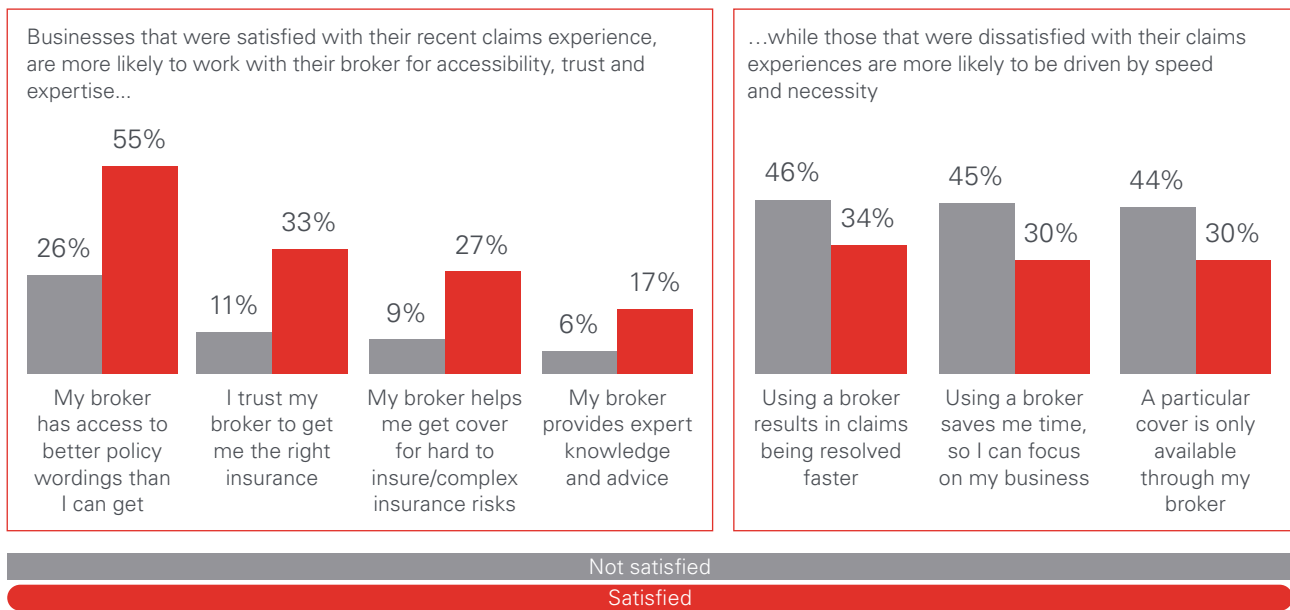
Figure 4.8: Insurance attitudes by claims satisfaction



This more positive understanding of insurance extends to the appreciation that satisfied claimants show for the broad skills that brokers deliver to their clients. Businesses that were satisfied with their recent claims experience are more likely to work with their broker for accessibility of better policy wordings, trust and expertise. For example, 33% say they work with their broker because they trust them to get the right insurance, compared to only 11% of dissatisfied claimants (see Figure 4.9). In contrast, those that were dissatisfied with their claims experience are more likely to be driven by speed and necessity, with 45% using a broker to save time, compared to 30% of satisfied claimants, and 44% only using a broker for a specific cover, compared to 30% of satisfied claimants.

If businesses use brokers simply for speed and convenience and have less understanding of a brokers' expertise and scope of service, they are more likely to be disappointed with their claim. It is important for brokers to communicate and demonstrate the full breadth of their offering to ensure clients have a more comprehensive understanding of the benefit of working with a broker.

Figure 4.9: Reasons to work with a broker, by broker satisfaction



Insight

Action

Insight:

Satisfaction with brokers is at an all-time high, accompanied by an increase in collaborative relationships and increased awareness of benefits by heavy users.

Action:

Brokers should continue to emphasise the higher-level benefits they can deliver, especially around expertise and service.

Insight:

A number of tasks are associated with higher levels of satisfaction including cost-effectiveness, providing extra information, risk mitigation and advocacy during claims.

Action:

These types of tasks can guide brokers to focus on things likely to make clients more satisfied.

Insight:

Claims satisfaction is high and appears to be linked to higher overall satisfaction with brokers.

Action:

Claims remain a core area for brokers to deliver to client needs.

“ Every single time I've lodged a claim, the insurance broker has got it paid. So that once again highlights to me the benefit of a broker. ”

Mark - Freight Forwarding

How commissions are perceived

Commissions have been in the spotlight in recent years, and this year for the first time the Index asked businesses how they feel about this important form of broker remuneration.

Significantly, an overwhelming majority, or 79%, of businesses say that they are comfortable with brokers receiving commissions as remuneration for the services and advice they provide. Only 4% claim to be uncomfortable (see Figure 4.10). This finding is consistent across business sizes, broker usage levels and broker relationship types.

Direct buyers are also equally comfortable. Brokers can take comfort in the fact that commissions do not appear to be a major concern for Australian businesses.

In this context, most businesses would prefer that brokers are open about the commissions and/or fees they receive, with 62% saying that it's very important that a broker disclose the commissions they receive, and a further 35% saying it is somewhat important (see Figure 4.11).

Figure 4.10: Comfort with brokers receiving commissions

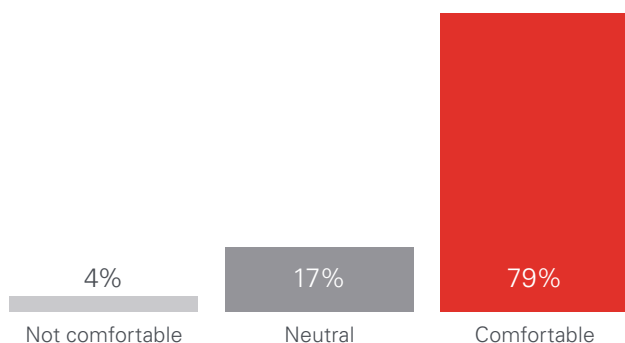


Figure 4.11: Importance of disclosure

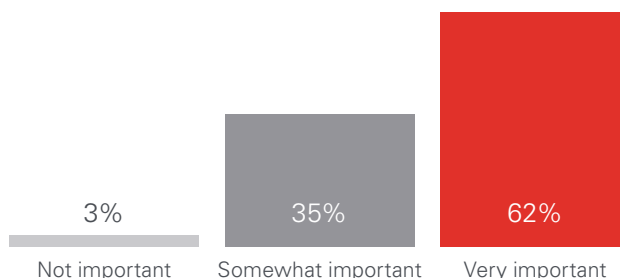
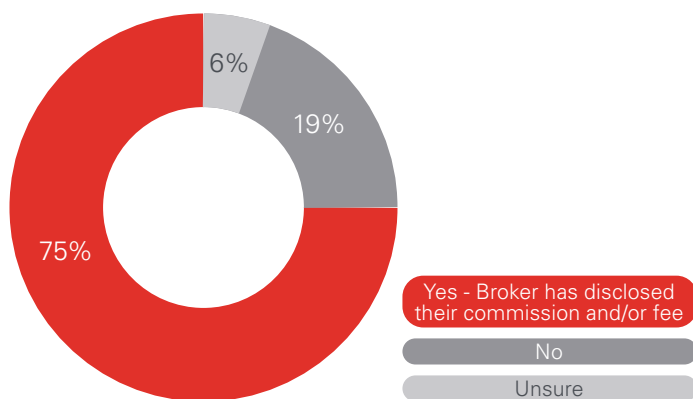


Figure 4.12: Whether broker has disclosed their commission



Insight

Action

Insight:

Commissions are unlikely to be a barrier to broker usage, and brokers can feel confident that businesses understand and respect their business model.

Action:

However, transparency is critical, and full disclosure of commissions and fees would ideally be the default option for brokers.



Chapter 5

Businesses are keen to talk about risk mitigation

Professional insurance brokers have the ability to provide specialist risk advice that can make a significant difference to businesses. But to what extent do businesses understand the skills that brokers bring in risk mitigation, and the benefits that this can deliver to businesses?

The role that risk-related tasks play

Perhaps aligned to improved perceptions of insurance (see Chapter 2), this year's data suggests that businesses are very interested in talking about risk. 81% of businesses agree "I'm interested in ways to decrease risks so I can reduce insurance costs", and 72% of businesses agree that "I like explanations of coverage/risks before I make a decision on insurance" (see Figure 5.1).

Figure 5.1: Risk-related insurance statements

81%

81% of businesses agreed:

"I'm interested in ways to decrease risks so I can reduce insurance costs"

72%

72% of businesses agreed:

"I like explanations of the coverage/risks before I make a decision on insurance"

In a similar vein, most businesses say it is important for their broker to undertake risk-related tasks. For example, 80% of businesses want their broker to assess the risk profile of their business, and 78% would like to see information on emerging risks they may face (see Figure 5.2). Risk mitigation tasks are highly relevant to most businesses, and therefore brokers can feel confident that their clients are interested in hearing more from them in this area.

This is even more important for larger businesses, with almost all businesses of more than 200 employees wanting their broker to undertake risk-related tasks on their behalf (see Figure 5.3).

Figure 5.2: Importance of risk-related tasks

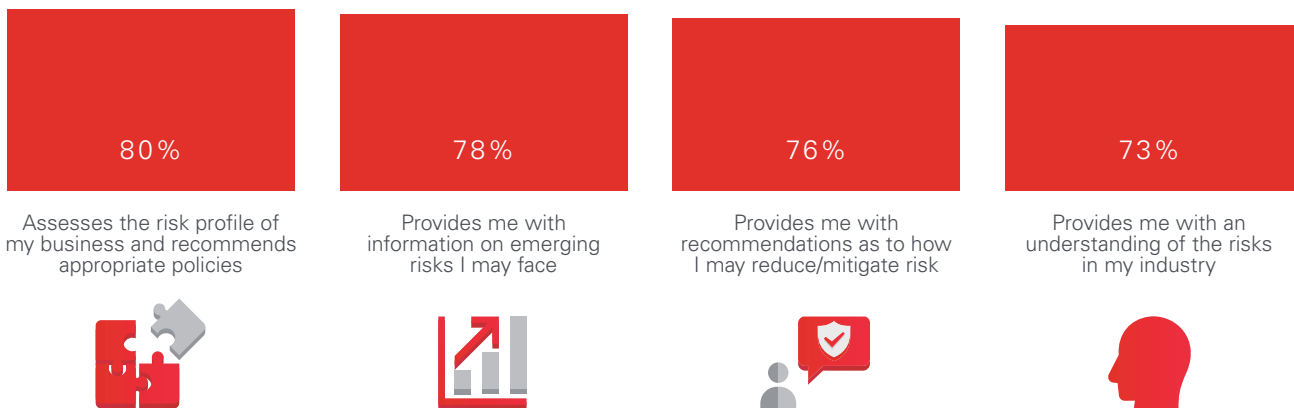
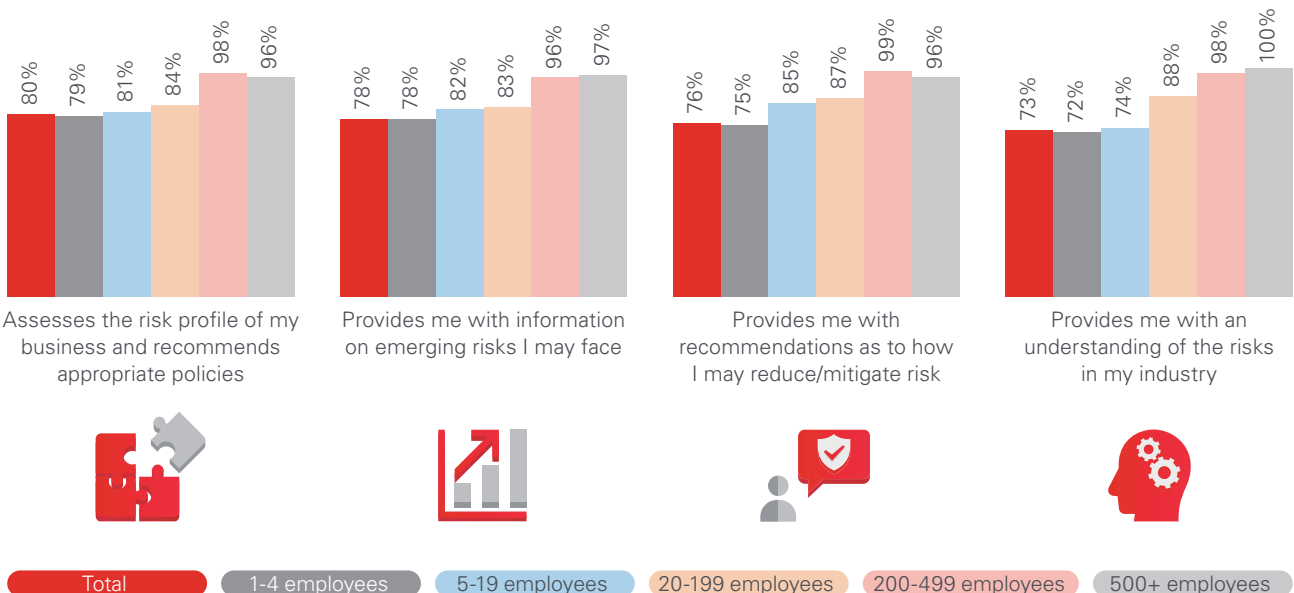


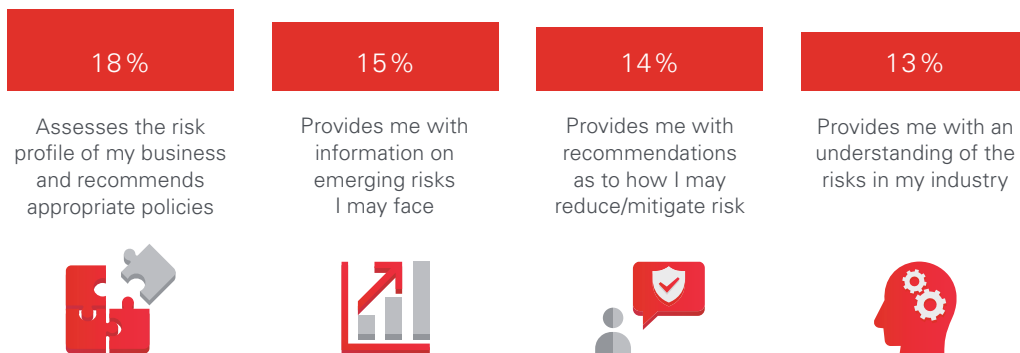
Figure 5.3: Importance of risk-related tasks by business size



While risk-related tasks are undeniably valued by clients, a significant number say that their broker doesn't do these tasks. 18% of businesses indicate that, while it is important their broker assess their risk profile, their broker doesn't do this for them (see Figure 5.4). Similarly, 15% indicate they would value information on emerging risks and also claim not to be getting this from their broker.

While these findings are reassuring in that they show the majority of brokers are delivering valued risk-related services to their clients, there is still an opportunity for more brokers to deliver this to maximise their clients' experience.

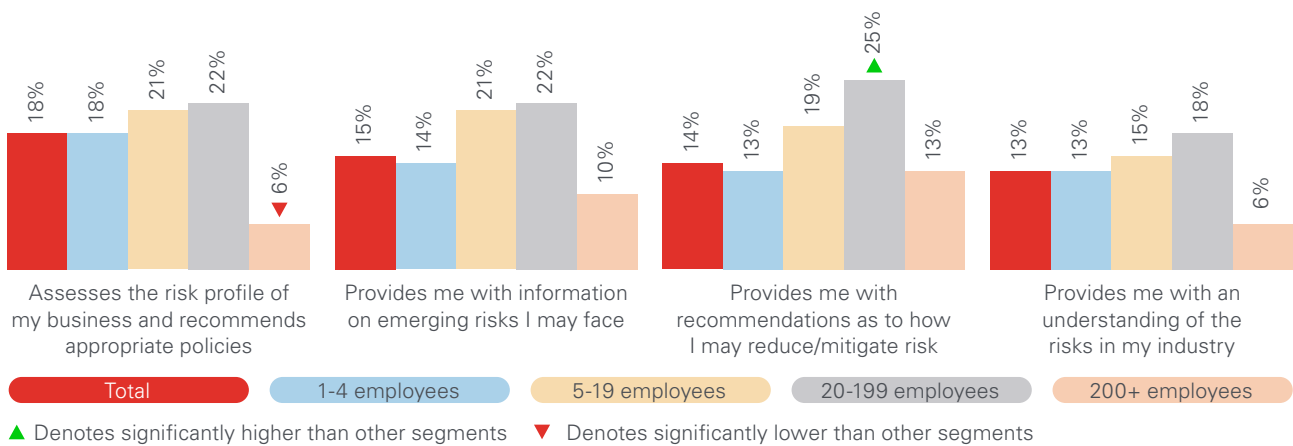
Figure 5.4: Proportion of business that consider each task important and indicate their broker does not do this



Breaking this data down, the most significant gap appears to be for medium-sized businesses (businesses with between 20 and 199 employees). Most large businesses seem to have brokers who do valued risk-related tasks, which is important given the complexity and size of insurance requirements for large businesses.

However, medium-sized businesses are the most likely to say that their brokers don't do risk-related tasks they consider important. For example, 25% say their broker doesn't provide them with recommendations on how they can mitigate risk, even though this is considered important (see Figure 5.5).

Figure 5.5: Proportion of business that consider each task important and indicate their broker does not do this | Business size



This represents an important opportunity for brokers.

Medium-sized businesses are likely to face relatively complex risks and yet due to their size are unlikely to have specialist risk expertise in house, meaning that brokers can make a real difference to these businesses.

Both elements of insurance and risk prevention are crucial and should work in tandem, forming a comprehensive strategy for managing business risks.

It appears businesses may be at differing stages of their insurance risk maturity journey. Some businesses see insurance as a safety net, offering financial support in the event of unforeseen incidents or disruptions. This is a reactive measure, addressing the consequences of risks that have materialised. On the other hand, risk prevention is a proactive approach, involving measures to identify potential threats and mitigate their impacts before they occur.



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Talking about insurance and risk mitigation to me really should come together. I do find that our conversations are more around the insurance elements, as opposed to what the key risk factors to our business are.

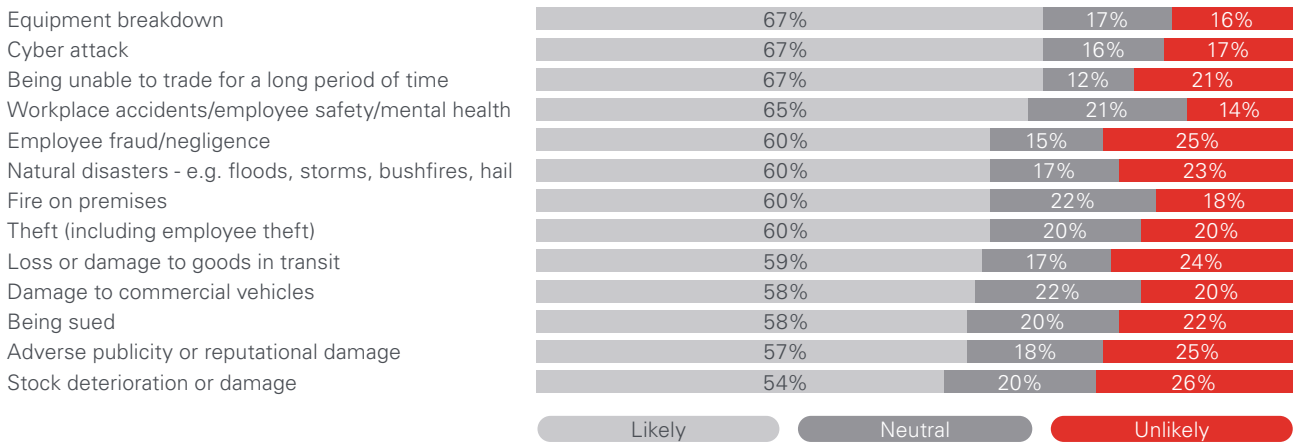
Ross - IT Consulting

Gaps in business understanding of likelihood of risks and covers

This year was the first time the Index asked respondents how likely it is that their business could be impacted by a range of potential risks. Businesses appear to be relatively pessimistic, with large numbers expecting to be impacted by a wide range of risks. For example, 67% expect that their business will be impacted by equipment breakdown, cyber-attack or being unable to trade for a long period of time (see Figure 5.6).

We know from industry data that penetration of business interruption, and machinery/equipment breakdown is low, and that these are the covers most likely to be cancelled or reduced in difficult times - despite providing protection for risks seen as high likelihood. This suggests a need for greater education, so businesses fully understand the implications of not having these covers.

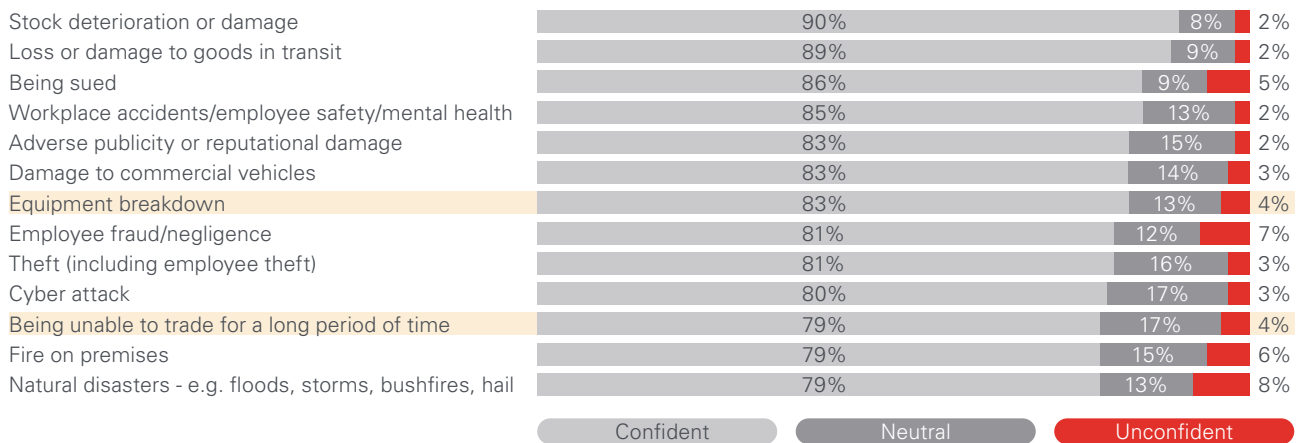
Figure 5.6: Likelihood business will be impacted by each risk



While businesses are expecting to experience a range of risks, they also appear to feel very prepared to manage those risks. When presented with the same list of potential risks, a significant majority of businesses say that they are confident about managing that risk.

For example, 90% say that they are confident about managing stock deterioration or damage and 89% are confident about loss or damage to goods in transit (see Figure 5.7).

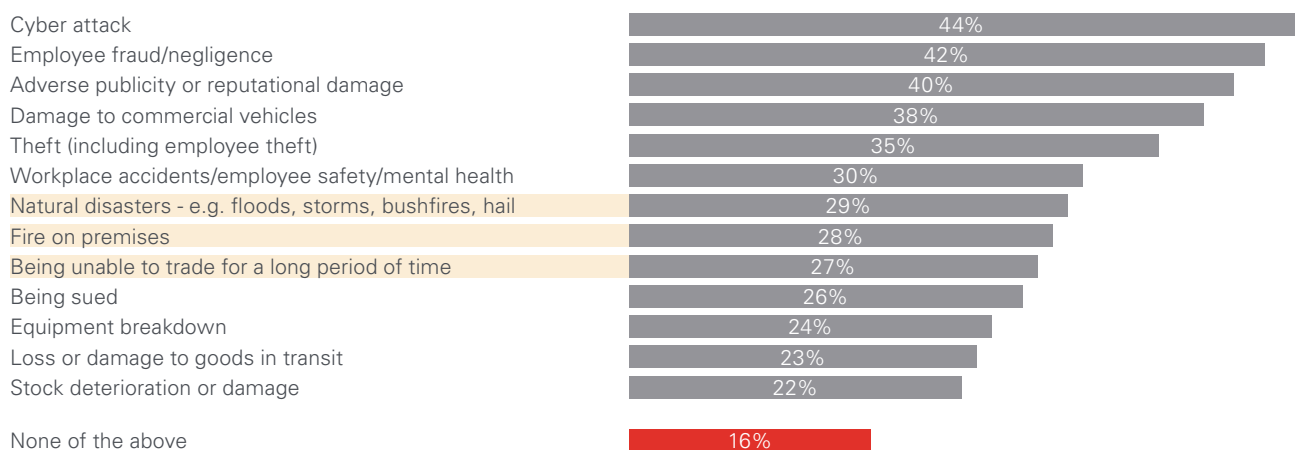
Figure 5.7: Confidence business is prepared for each risk



Notably, around 4 in 5 feel confident about their ability to manage equipment breakdown and being unable to trade for a lengthy period, and yet industry suggests penetration of these covers is low. This suggests that high levels of confidence are misplaced and that brokers can play an important role in educating about these risks and the need for adequate cover.

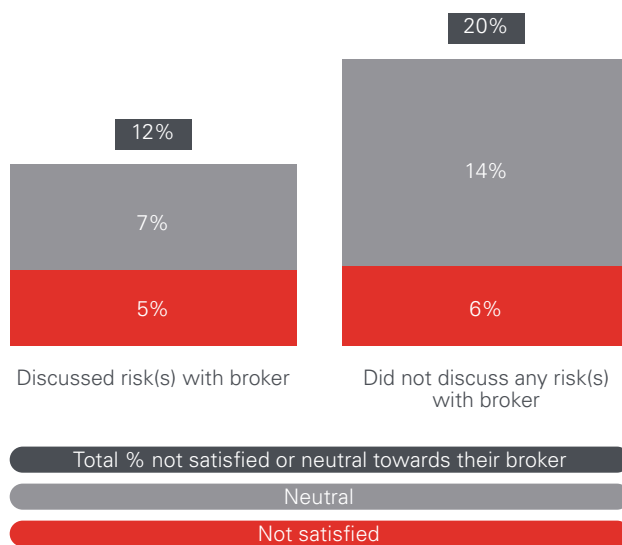
Many businesses claim to have discussed a range of risks with their broker, but these numbers are lower than confidence levels, suggesting that many are missing out on the expertise of their broker. Only 24% claim to have discussed the risk of equipment breakdown with their broker and 27% say they have discussed the risk of being unable to trade (see Figure 5.8).

Figure 5.8: Risks discussed with broker



Furthermore, 16% say that they haven't discussed any risks with their broker, highlighting a significant gap in helping businesses gain a clear picture of the risks that they face. Moreover, there is a correlation between not discussing risks with brokers and overall satisfaction. 20% of those who haven't discussed any risks with their broker are neutral or dissatisfied with their broker, compared to only 12% of those who have discussed risks with their broker (see Figure 5.9).

Figure 5.9: Broker satisfaction by whether risk(s) was discussed with broker



Insight

Action

Insight:

The SME Index Research indicates there appears to be a gap in translating business' concerns into the insurance coverage they currently hold.

Action:

This discrepancy between concern and coverage emphasises the need for education and informed decision-making. Brokers need to prioritise educating businesses about the complexities of risks and the importance of comprehensive coverage. This involves regular, clear communication about emerging trends, changes in regulations, and the value of different insurance products.

Insight:

Risk is a topic of interest, with most businesses wanting to know about managing risk.

Action:

Brokers need to ensure that they have explicit conversations about risk, particularly with medium or larger businesses, and younger clients. Brokers can play an important role in educating about risk. Brokers can actively engage with insurance providers to gain insights into new products and services, and to access resources and tools that can enhance their advisory capabilities.

Insight:

Risk-related tasks, such as assessing risk profiles, delivering advice on risk mitigation and providing information are highly valued by most business decision-makers.

Action:

Brokers should ensure that they are undertaking these tasks and communicate to clients how they help them manage their risk.

Insight:

Businesses are highly likely to expect to be impacted by equipment breakdown and being unable to trade, but feel confident about their ability to manage these risks. However, we know from industry data that penetration of these covers is low.

Action:

Brokers can play an important role in educating clients about these risks and help them to understand the value of covers such as BI and equipment breakdown.

Chapter 6

A range of emerging risks are on the radar for businesses, including AI and natural disasters

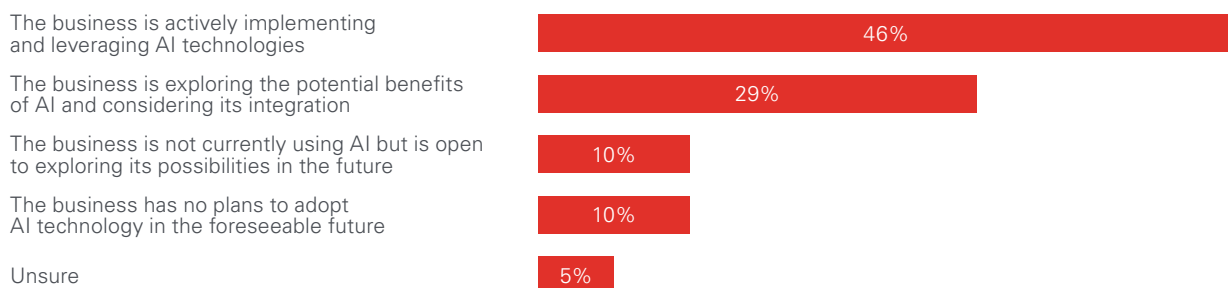
Artificial Intelligence (AI) has become an area of interest for many businesses

Almost half of all businesses (46%) claim to already be actively using AI technology, with a further 29% exploring its potential for their business (see Figure 6.1).

Only 10% have no plans to consider AI, highlighting that AI is a highly relevant area of interest for most businesses.

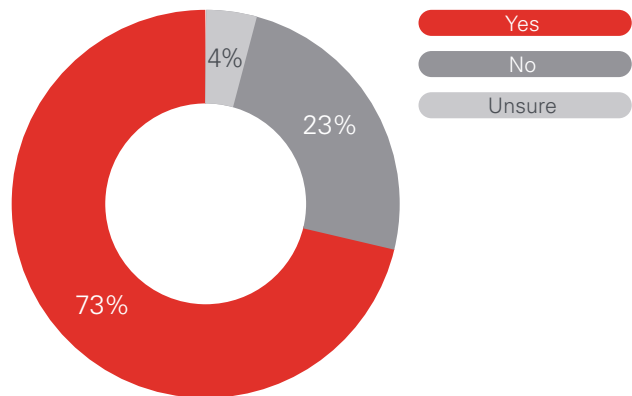
Extensive analysis in the data shows that levels of AI adoption are surprisingly consistent across the business community, with no meaningful differences by age, industry or other measures. Larger businesses are slightly more likely to be already using AI, but the data shows that AI is impacting many broker clients, and is therefore likely to be a topic of interest.

Figure 6.1: Business use of AI technology



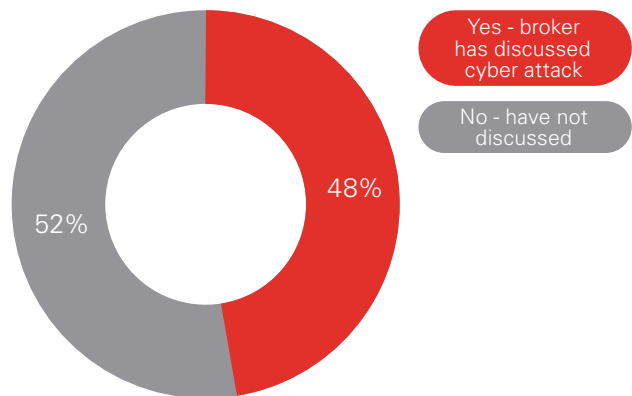
Given the widespread adoption of AI, to what extent are businesses factoring in its implications for insurance? Of those who are already using AI, almost 3 in 4 say that they have considered its insurance implications (see Figure 6.2). This high level of consideration is consistent amongst both broker clients and direct buyers. Large businesses are slightly more likely to say they've considered insurance implications, and regardless of size, businesses are generally likely to say they've thought about the insurance implications of AI. But is this really true?

Figure 6.2: Consideration of AI implications



While 3 in 4 claim to have considered the insurance implications of AI, less than half say that they've discussed the risks of cyber-attack, as an example of one of the key risks of AI usage (see Figure 6.3). This finding is in direct contradiction to claims they've considered the insurance implications of AI, suggesting a significant opportunity for brokers to proactively discuss these risks with their clients and provide education.

Figure 6.3: Discussed cyber-attack risks with broker



As we navigate the ever-evolving business landscape, we are witnessing the rise of new and emerging risks. Another emerging risk stems from the disruptive impact of technological advancements. The rapid adoption of AI and machine learning (ML) has brought about significant changes in the way businesses operate, but it has also introduced new risks, such as algorithmic bias and data privacy concerns.

However, these technological advancements also present new opportunities, particularly in the insurance sector. AI and ML can transform outcomes through delivering responses that improve the customer experience.

Roughly 2 in 3 businesses have a positive attitude to brokers/insurers using AI (see Figure 6.4).

Figure 6.4: Agreement with AI use by brokers/insurers

70%

70% agreed:

"I think artificial intelligence tools can make the insurance experience better"

With the shift towards online channels, brokers have an opportunity to leverage digital platforms and enhance customer experience. This can range from user-friendly websites to efficient claim handling systems, all aimed at improving the customer journey and speed of service.

Brokers also have an opportunity to harness the power of AI to better serve customers, while also helping them navigate the emerging risks associated with this revolutionary technology.



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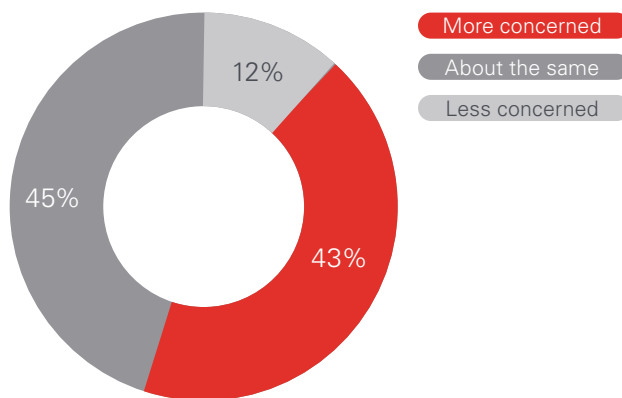
It's a good example of being proactive in terms of changing technology and the use of AI is one of those things. That is where I think we'd get real value from utilising a broker.

Ross - IT Consulting

An update on attitudes to insuring against natural disasters

The last few years have seen unprecedented levels of natural disasters, and the high profile of these events appears to be having an impact on levels of concern. 43% of businesses claim to be more concerned about natural disasters than they were 12 months ago (see Figure 6.5).

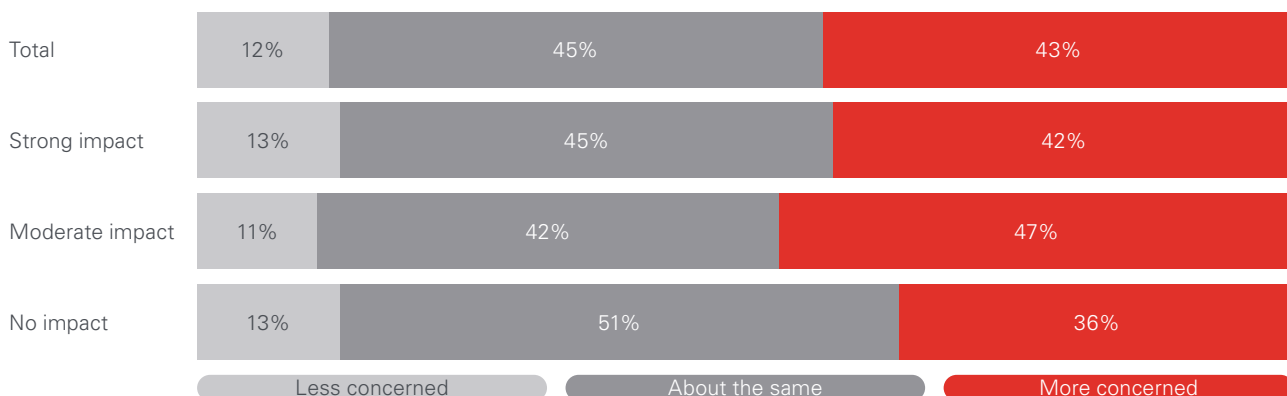
Figure 6.5: Change in concern of natural disasters



Levels of concern are increasing regardless of whether businesses expect to be impacted by natural disasters, with 36% of those who don't expect any impact from natural disasters still claiming to be more concerned about natural disasters than they were previously (see Figure 6.6). The frequency of natural disaster events is possibly making all businesses reflect on the wider impact that large-scale events have on the economy, not just those directly in the path of floods, storms or fires.

This highlights the relevance of natural disasters to all businesses and suggests that brokers should have conversations with their clients about natural disasters.

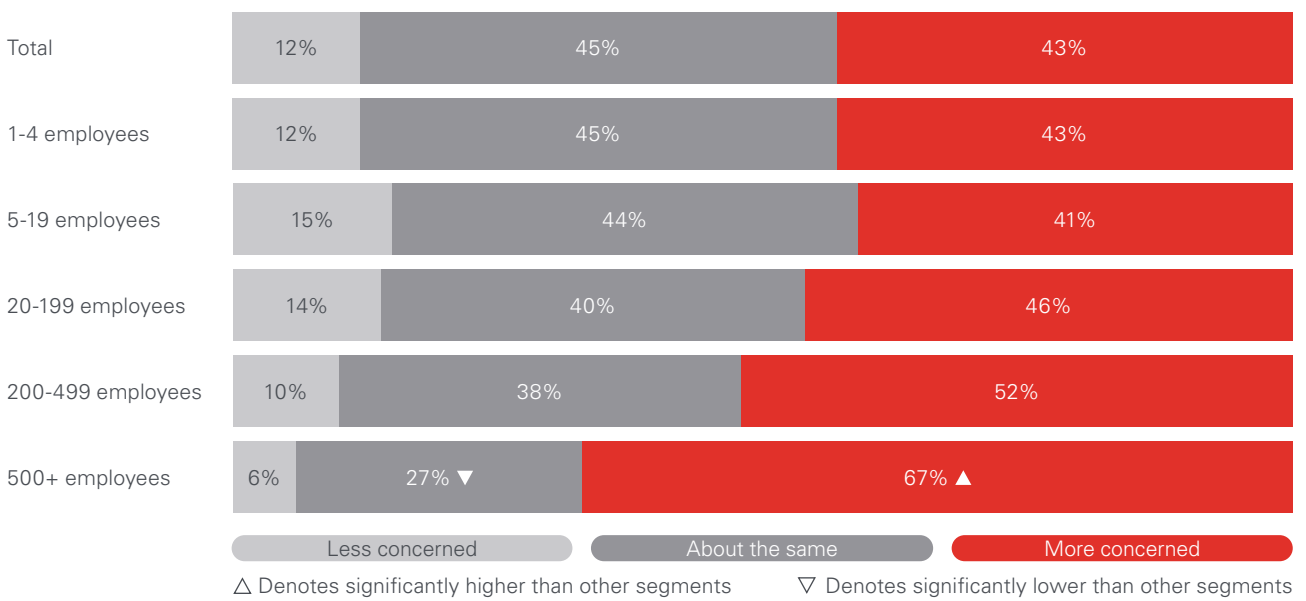
Figure 6.6: Change in concern of natural disasters by anticipated impact



Concerns about natural disasters are increasing across the board, but larger businesses are even more likely to express increased concerns. 67% of businesses with over 500 employees and 52% of those with between 200 and 499 employees are more concerned about natural disasters (see Figure 6.7).

This is potentially driven by a higher level of risk understanding overall, and highlights the importance of talking to larger businesses about natural disaster risks, regardless of their location or industry.

Figure 6.7: Change in concern of natural disasters by business size



78% of all businesses expect at least some impact from natural disasters this year, up from 67% in 2021 (see Figure 6.8). However, 21% of businesses think they are only partially covered for natural disasters (see Figure 6.9), suggesting an opportunity for brokers to have more conversations with their clients about their levels of natural disaster coverage and to help them feel more confident and informed.

Large businesses are more likely to feel completely covered for natural disasters, while medium businesses feel less covered (see Figure 6.10), meaning that brokers can provide support for medium businesses to reassure them on their coverage.

Figure 6.8: Anticipated impact of natural disasters on business

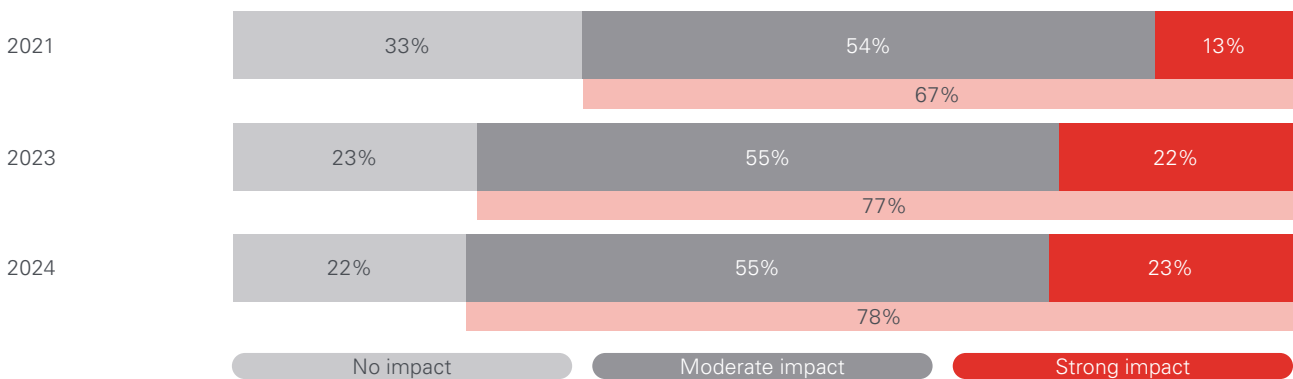


Figure 6.9: Level of insurance coverage for natural disasters

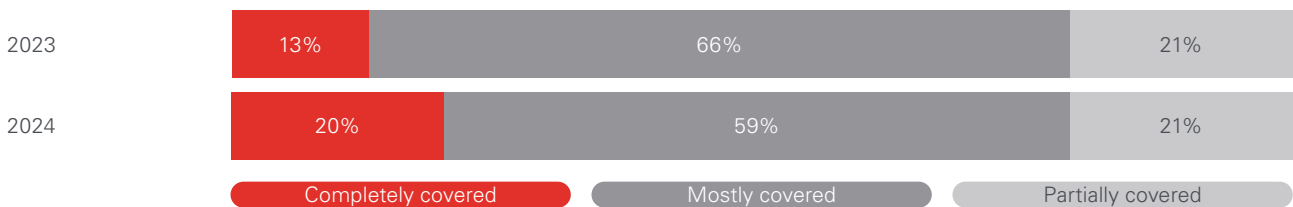
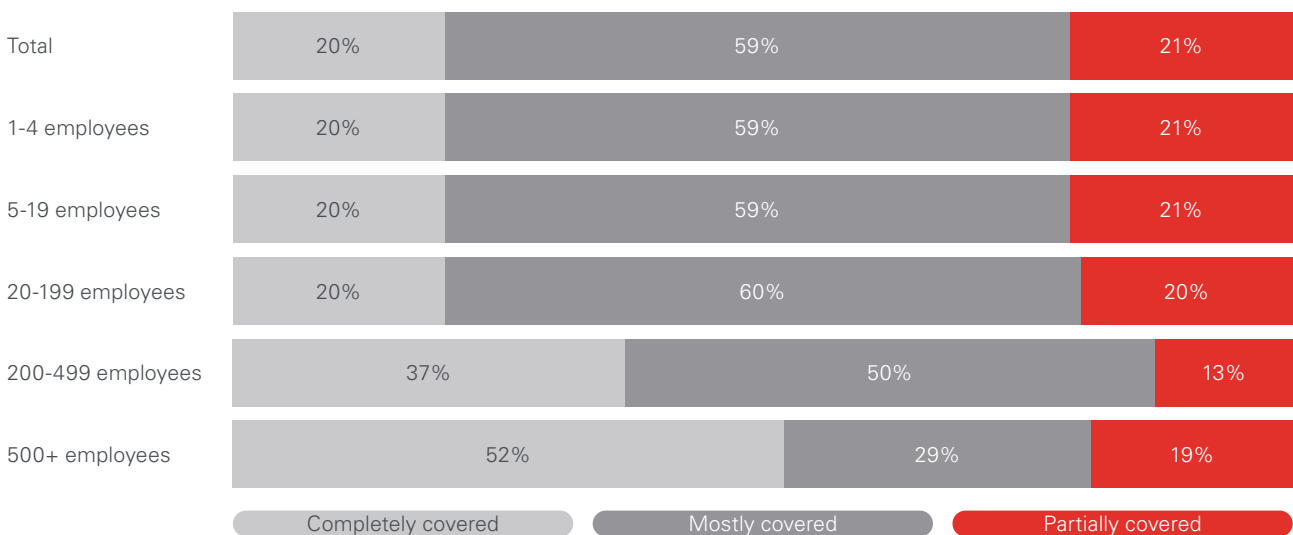


Figure 6.10: Level of insurance coverage for natural disasters by business size



Insight

Action

Insight:

Many Australian businesses are already using AI and claim to have considered its insurance implications, but aren't yet seeing the connection between AI use and the increased risks - for example, cyber-attacks.

Action:

Brokers can demonstrate their expertise, particularly in emerging and unknown risks, by asking clients about their AI use and having discussions about how this impacts their risks.

Insight:

Brokers have a clear role to play in helping businesses manage the risks of AI usage.

Action:

There is an opportunity for brokers to educate clients on the risks of AI, including implementing appropriate safeguards to protect data privacy and prevent algorithmic bias, testing AI systems thoroughly before deploying them in production, and having a plan in place for dealing with AI-related incidents.

Insight:

Businesses are increasingly concerned about the risk of natural disasters, regardless of direct exposure.

Action:

This suggests that natural disasters are an increasingly relevant topic for brokers to discuss with their clients.

Insight:

1 in 5 businesses think they are only partially covered for natural disasters.

Action:

This suggests an opportunity for brokers to have more conversations with their clients, particularly medium-sized businesses, about their levels of natural disaster coverage and to help them feel more confident and informed.

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