



SME Insurance Index 2023

Be that broker with a deeper
perspective

Contents

Introduction	3
Research methodology	4
Findings	5
Chapters:	
1 How broker usage, satisfaction and trust have shifted over time	6
2 The economic impact on insurance behaviour and key risks	12
3 How brokers support better insurance decision making	21
4 The role brokers play in improving the claims experience	28

AAI Limited ABN 48 005 297 807 trading as Vero Insurance (Vero) has prepared this Vero SME Insurance Index Report (Report) for general information purposes only. Vero and its related bodies corporate do not assume or accept any liability whatsoever (including liability for special, indirect, consequential or incidental damages, or damages for loss of profits, revenue or loss of use) arising out of or relating to this Report or the information it contains. Vero and its related bodies corporate do not invite reliance upon or accept responsibility for the information it provides on or through this Report. Vero and its related bodies corporate do not give any guarantees, undertakings or warranties concerning the accuracy, reliability, completeness or currency of the information provided. This Report is not a recommendation or statement of opinion about whether a reader should acquire insurance from Vero (or its related bodies corporate) or services from any insurance intermediary or otherwise alter their business arrangements. This Report is based on commissioned research by Vero and should not be used as the basis for any decision in relation to the acquisition or disposal of insurance products or the use of broker services. Readers should confirm information and interpretation of information by seeking independent advice. This information was prepared in December 2022.



Introduction

Over the last few years, many businesses have demonstrated their resilience and ability to deal with challenging circumstances. Even as we have evolved to a state of living with the pandemic, 2022 has also delivered a wide variety of events for businesses to deal with.

La Niña, currently in its third consecutive season, has wreaked havoc, with several floods impacting many businesses, particularly in regional areas. In most years, this would be the dominant news story but 2022 has delivered a range of other significant issues including the war in Ukraine, geopolitical tensions, cyberattacks, stock market fluctuations, the collapse of cryptocurrencies, a change in federal government and a new Head of State.

Underpinning these momentous events has been the increasingly challenging economic conditions. Price rises, labour shortages, interest rate rises, and the threat of economic downturn are having a tangible impact on many Australian businesses.

In challenging times, understanding Australian businesses has never been more important, and so we hope that the 12th edition of the Vero SME Insurance Index gives you, our partners, valuable and actionable insights. We have spoken to insurance decision makers in 1,500 SMEs and 250 large businesses to

shine a light on their attitudes, needs and behaviours when it comes to insurance, and insurance brokers more specifically. The state of the economy is central to many businesses' behaviours and therefore this year's Index has explored the impact that economic concerns are having on insurance decision making.

Importantly, the findings highlight the critical role that brokers can play in helping businesses make good insurance decisions that will protect them and support their ambitions for long-term, sustainable growth.

The current environment is tumultuous but presents a clear opportunity for brokers to shine by demonstrating their expertise, professionalism, and ability to deliver value to businesses as they deal with challenging conditions.

We hope you find this year's Vero SME Insurance Index informative and useful as you plan for the year ahead.

A handwritten signature in black ink, appearing to read 'A. Pagano'.

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 across Australia. The research was independently* conducted 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 2022 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
- ▶ 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 that employ 1–4 individuals

Small

Businesses that employ 5–19 individuals

Medium

Businesses that employ 20–199 individuals

Large

Businesses that employ 200–499 individuals

Very large

Businesses that 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 at respondents' workplaces during December 2022.

* This research was conducted by BrandMatters.
See www.brandmatters.com.au



Findings

The 2023 Vero SME Insurance Index focuses on the role brokers can play in helping businesses manage risk in difficult times, including:

- ▶ How broker usage, satisfaction and trust have shifted over time.
- ▶ The economic impact on insurance behaviour and key risks.
- ▶ How brokers support better insurance decision making.
- ▶ The role brokers play in improving the claims experience.

We will share further updates from the Index over coming months, including:

1. ESG (Environmental, Social and Governance).
2. Natural disasters.
3. Employee concerns.

A note on the large business data in this report

Last year we included analysis from 100 insurance decision makers in large businesses (those who employ 200 or more people) and kept the data separate to show comparisons between SMEs and large businesses. Given the high levels of interest in this topic, 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 show large businesses makes up less than 0.2% of all Australian businesses.

To learn more visit:



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

Chapter 1

How broker usage, satisfaction and trust have shifted over time

One of the benefits of long-term studies such as this is the ability to track how behaviours and attitudes evolve over time. Since the launch of the Index 12 years ago, we have been able to follow key measures such as how widely brokers are used and considered by businesses, how satisfied businesses are with their brokers and levels of trust.

Trust in insurance brokers remains high, despite large-scale insurance events.

Strong relationships are at the heart of the insurance broking profession, and the strongest relationships are defined by a deep sense of mutual trust. As important as trust is, it is also notoriously difficult to measure because it relies on subjective judgement and perception.

The Index measures trust by asking agreement across three different statements:

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

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

“Recent events have made me more wary of the insurance industry.”



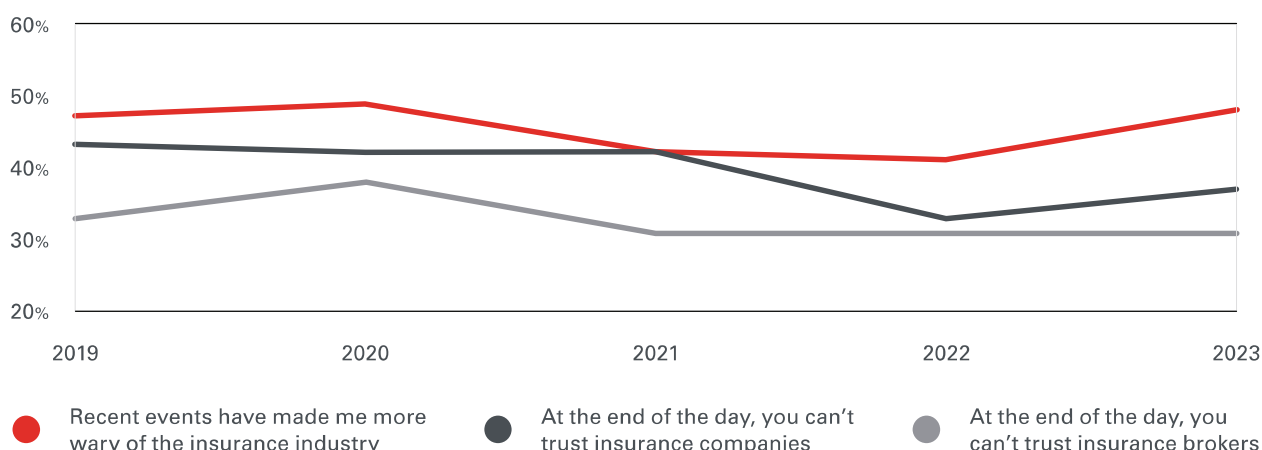


In recent years, levels of mistrust (measured by those who agree with these statements) peaked in 2019 following the Financial Services Royal Commission. Since then, the numbers of businesses saying that they don't trust insurance companies or brokers has gradually fallen. It is notable that mistrust hasn't risen significantly in the wake of three years of natural disasters and challenging conditions.

In 2023 these trust measures have been broadly stable over 2022 levels, particularly for brokers. Specifically, this year 31% of SMEs

said that "you can't trust insurance brokers", which showed no change from 2022 (*see Figure 1.1*). There was a small increase in the numbers saying "you can't trust insurance companies", from 33% in 2022 to 37% this year, although this change is not statistically significant. The greatest change was in those who agree that recent events have made them more wary of the insurance industry, from 41% in 2022 to 48% in 2023. Overall, these results suggest that the industry as a whole, and brokers in particular, have been successful in maintaining the trust of people despite high numbers of claims and challenging conditions.

Figure 1.1: Attitudinal trends about trust



Client satisfaction with brokers remains remarkably high

Customer satisfaction is a key metric to evaluate the health of relationships between brokers and their clients. While satisfaction levels with brokers have been good throughout the course of the Index, we saw an unexpectedly large increase in the number of broker clients saying that they were satisfied with their broker between 2021 and 2022. At the time, this increase was attributed to the unusual conditions of the COVID period, and this high level of satisfaction was predicted to fall back to pre-pandemic levels in 2023.

In highly gratifying news for the broking profession, levels of client satisfaction have remained remarkably high in 2023. Specifically, this year 78% of broker clients said they were satisfied with their broker, representing a small decrease from 84% in 2022 (see *Figure 1.2*). However, despite this small drop, satisfaction levels remain well above their pre-COVID average. While satisfaction is high amongst all businesses, it is particularly strong amongst larger businesses (see *Figure 1.3*).

This excellent result is a testament to the strong relationships that brokers have with their clients and serves as evidence of the value of the profession to Australian business.

Figure 1.2: Broker satisfaction

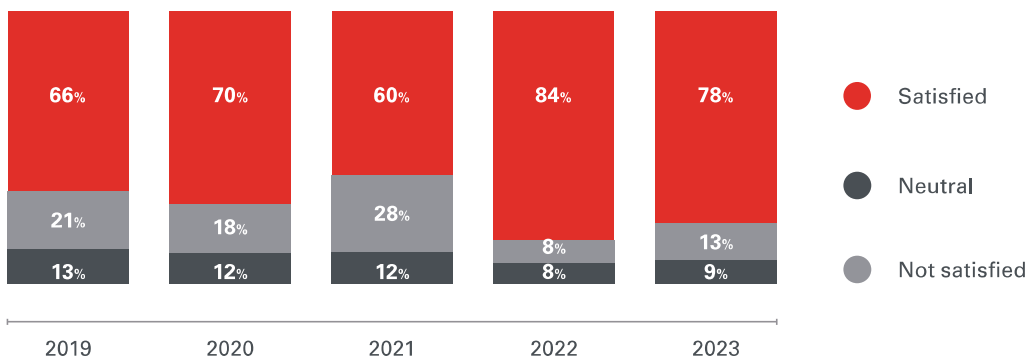
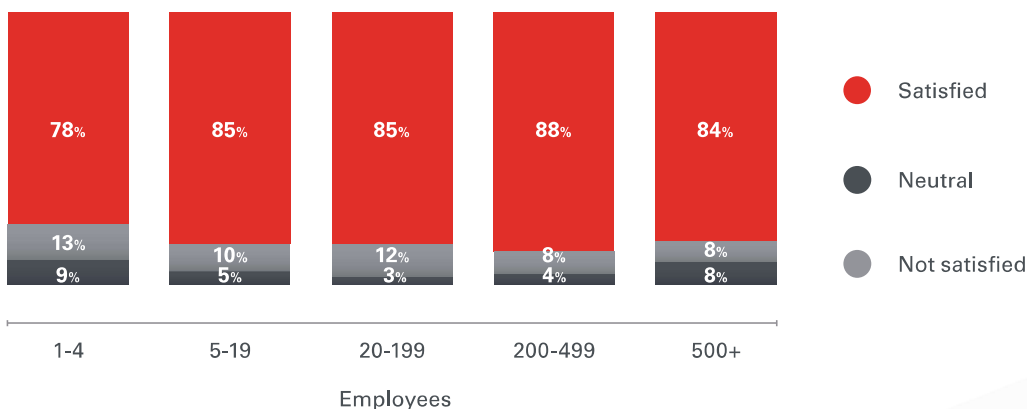


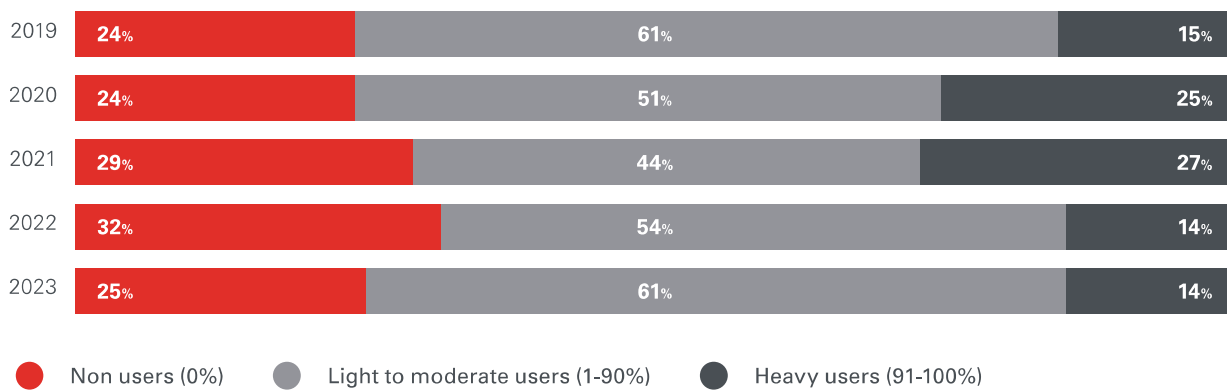
Figure 1.3: Broker satisfaction by business size



Mixed usage of brokers and direct channels continues to grow

The majority of Australian businesses use a mix of channels to buy their insurance, and this continues to grow. In 2023, only 14% of businesses claim they buy almost all of their insurance (90% of policies or more) through a broker, which is the same as in 2022 and a significant drop from 27% in 2021 (see *Figure 1.4*). A quarter of businesses don't use a broker for any of their insurance, while 61% are mixed users who buy between 1% to 90% of their insurance through a broker. These mixed users represent the largest group of businesses and suggest that there is a significant opportunity for brokers to increase their business by encouraging clients to buy a greater proportion of their insurance with them.

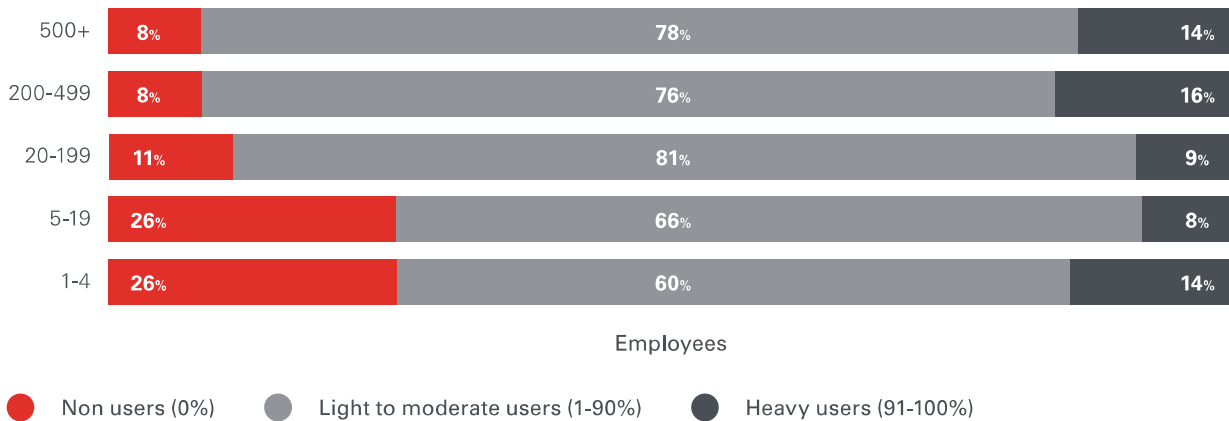
Figure 1.4: % of policies bought through a broker



We're very satisfied. The relationship, the advice, and the guidance that we've received from our brokers has been quite instrumental in us being able to work so effectively in challenging times."

Mixed usage can be observed across all business sizes, but is particularly high amongst medium businesses with 20 to 199 employees. This year, 81% of medium businesses claimed to buy insurance through a mix of channels compared to 76% of large sized businesses (those with 200-499 employees) and 78% of very large businesses (those with 500 or more employees). Just over a quarter, or 26%, of small and micro-sized businesses in contrast report buying no policies through a broker (see Figure 1.5).

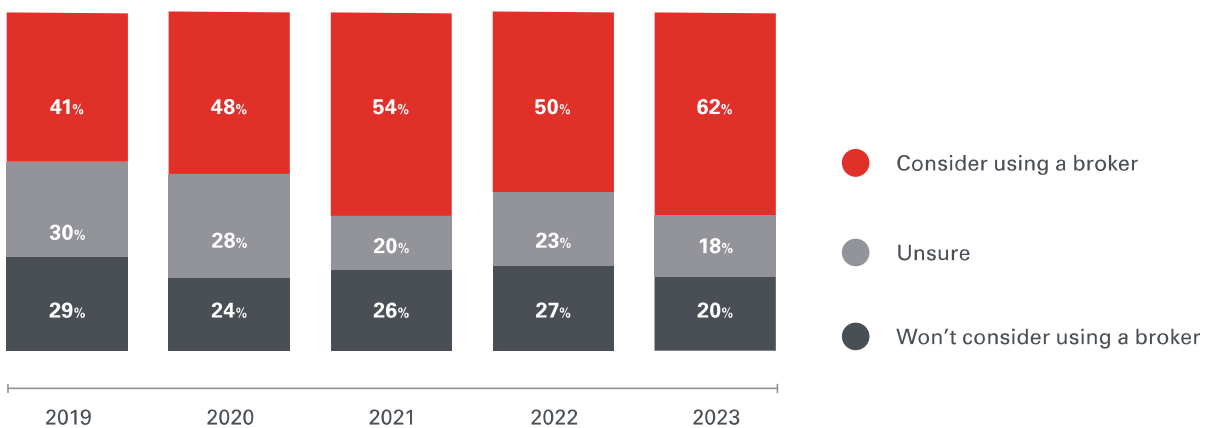
Figure 1.5: % of policies bought through a broker, by business size



Direct buyers are increasingly considering brokers

Over recent years, the Index has tracked an increased tendency for direct insurance buyers to say that they would consider using a broker in the future, which is a strong indication of potential growth for the broking profession. In 2019, 41% of direct buyers said they might or would definitely consider using a broker in the future. This measure has grown strongly since then with 62% of direct buyers in 2023 indicating they will consider future broker use (see Figure 1.6).

Figure 1.6: Consideration of using a broker in the future (direct buyers)





Insight

Action

Insight:

Despite the recent tumultuous events, trust in brokers and insurance companies remains stable, suggesting that the industry delivers value to its clients.

Action:

Consider how you can build on and leverage this trust when talking to clients and prospective clients.

Insight:

Client satisfaction with brokers remains at high levels, with almost 4 in 5 saying they are happy with their broker.

Action:

Brokers have an opportunity to build on this positive momentum through an ongoing focus on service and meeting customer needs, especially in these difficult economic times.

Insight:

Businesses continue to favour buying their business insurance through a mix of channels, with 61% claiming to buy between 1% and 90% of policies through a mix of broker and direct, while there is strong growth in the number of direct buyers considering using a broker in the future.

Action:

Brokers need to clearly communicate the value they bring to clients to encourage mixed users to buy more insurance through the broker channel and to attract more direct buyers.

Chapter 2

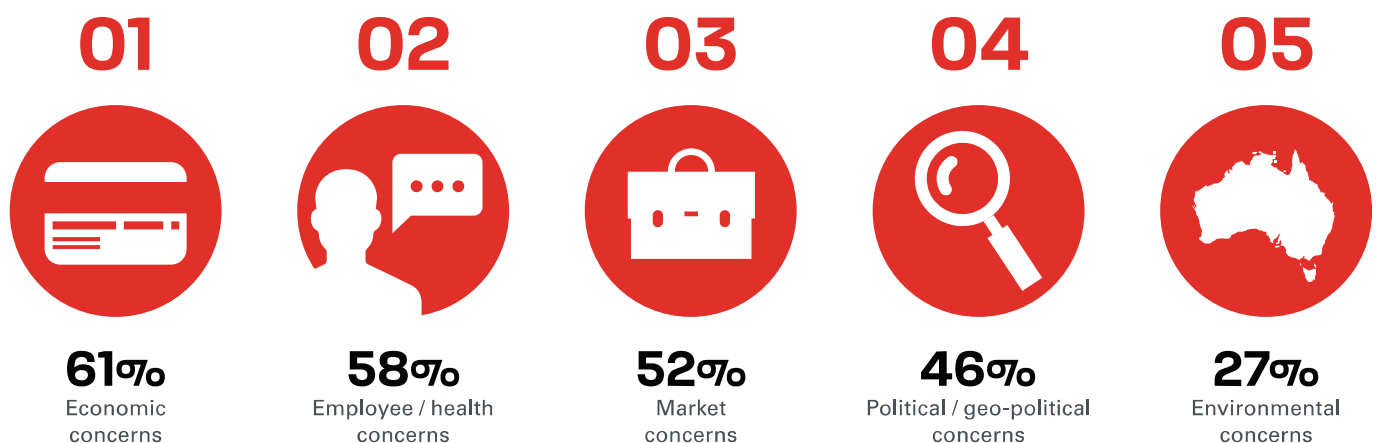
The economic impact on insurance behaviour and key risks

We live in unpredictable times. Between natural disasters, pandemics, geopolitical tensions and rampant inflation, business owners have plenty of issues to keep them awake at night. Each year in the Index, we ask businesses to identify the specific issues that cause them concern, and this year unsurprisingly economic concerns are top of the list.

Overall concerns

This year 61% of businesses said that they worry about economic concerns, followed closely by employee and health-related concerns which are an issue for 58% of businesses (*see Figure 2.1*). Economic concerns are likely to inform many conversations and insurance decisions over the next year or so and so this chapter will delve into the impact of economic conditions, especially inflation, on insurance decision making.

Figure 2.1: Business concerns

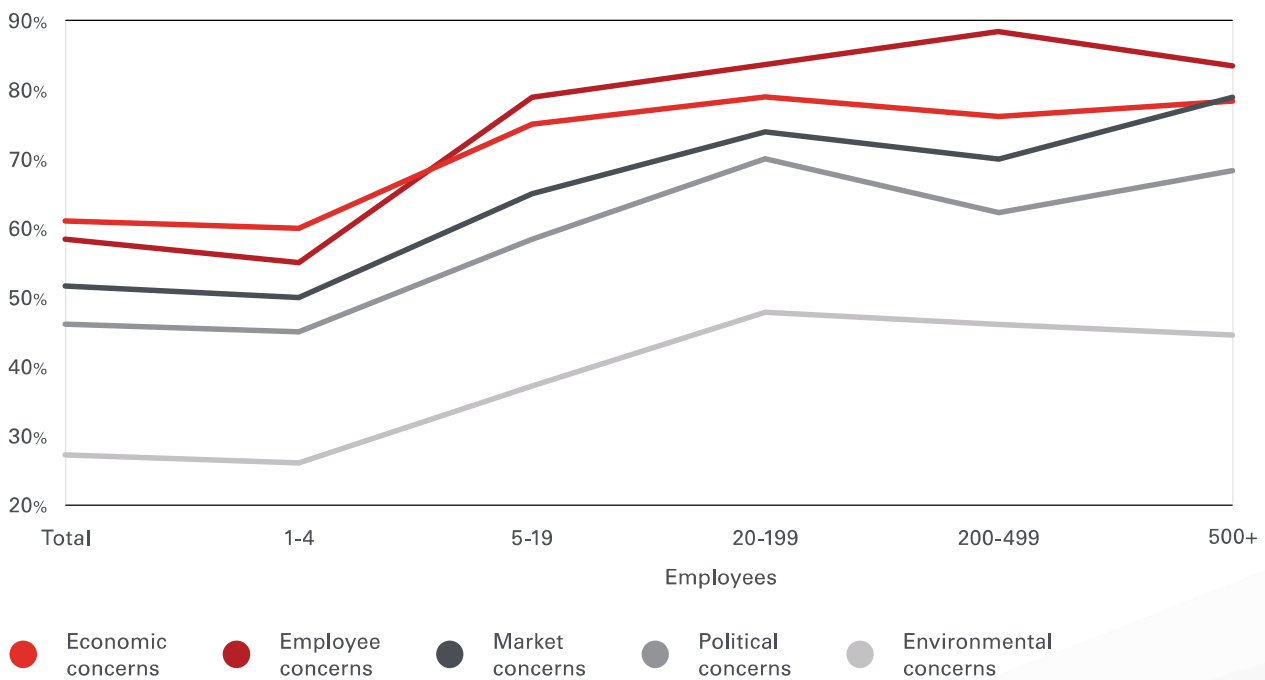


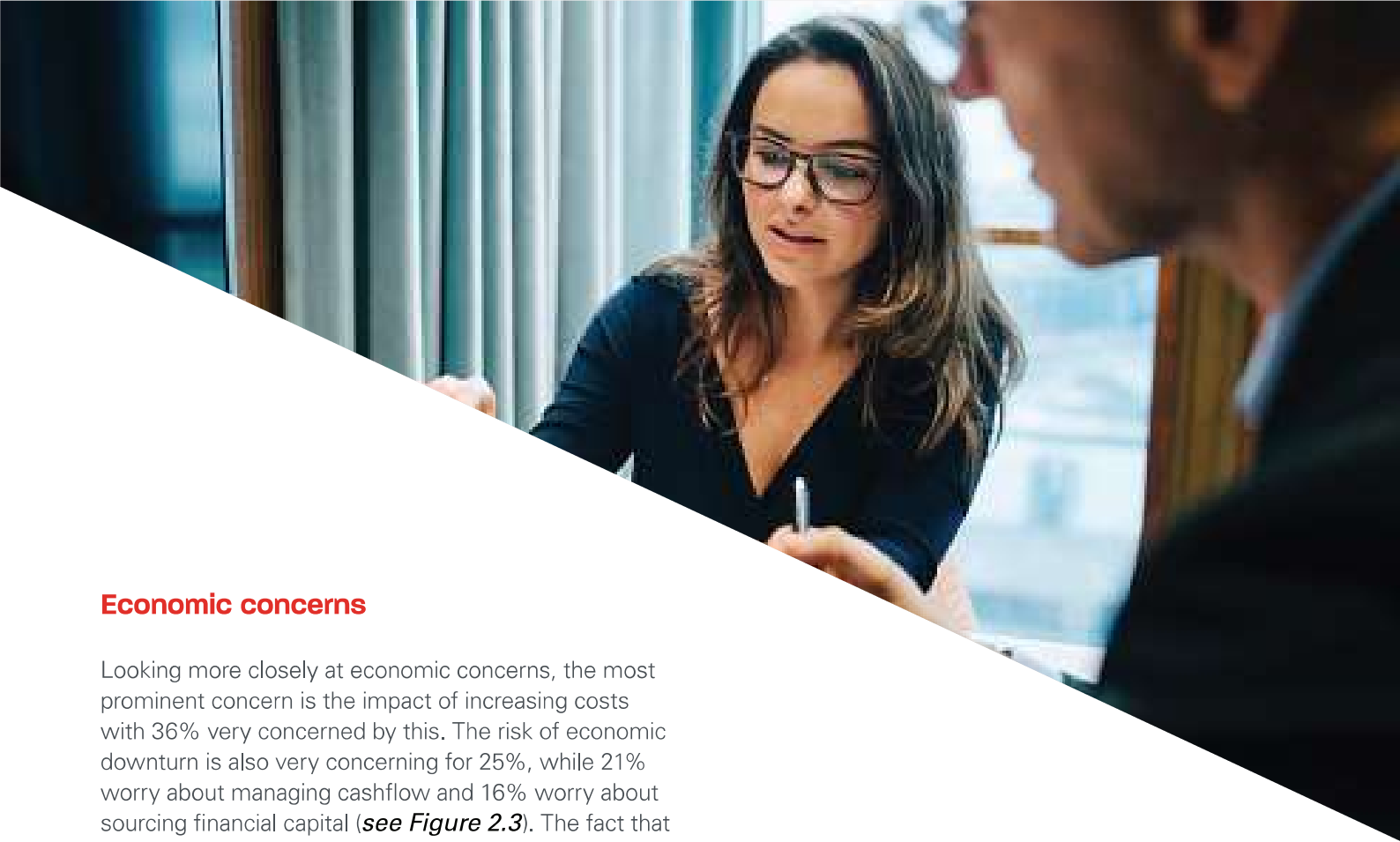


Employee-related concerns

It is important to note that while economic concerns are top overall, employee-related concerns become increasingly important for larger businesses (*see Figure 2.2*). This suggests that employee concerns are an important issue for brokers to consider when talking with larger clients. More findings focused on employee concerns will be released later this year.

Figure 2.2: Business concerns by business size

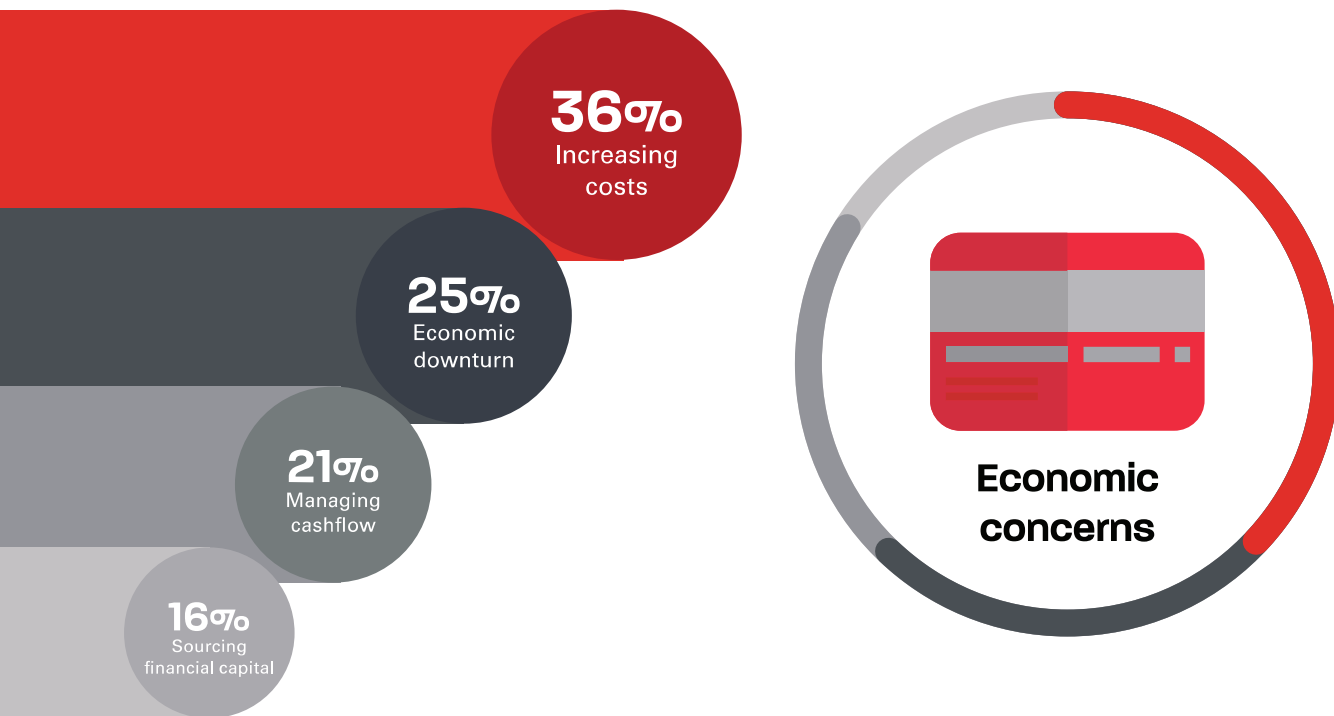




Economic concerns

Looking more closely at economic concerns, the most prominent concern is the impact of increasing costs with 36% very concerned by this. The risk of economic downturn is also very concerning for 25%, while 21% worry about managing cashflow and 16% worry about sourcing financial capital (see Figure 2.3). The fact that concerns are clearly dominated by costs is important to bear in mind as insurance represents a major cost for many businesses. It's important for brokers to communicate the value of insurance, not just the cost.

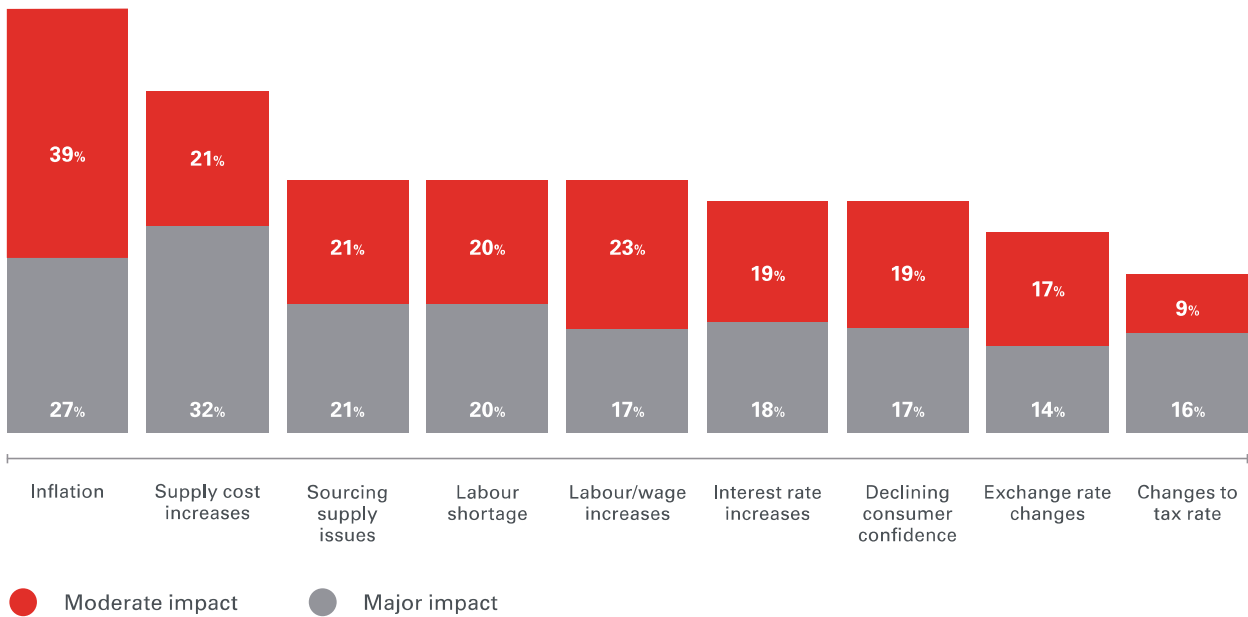
Figure 2.3: Economic concerns



Given the economic climate, this year we wanted to understand how economic events are impacting businesses. Cost increases are clearly affecting many businesses, with two thirds of businesses reporting they are experiencing either major or moderate impacts from inflation (see Figure 2.4), and over half

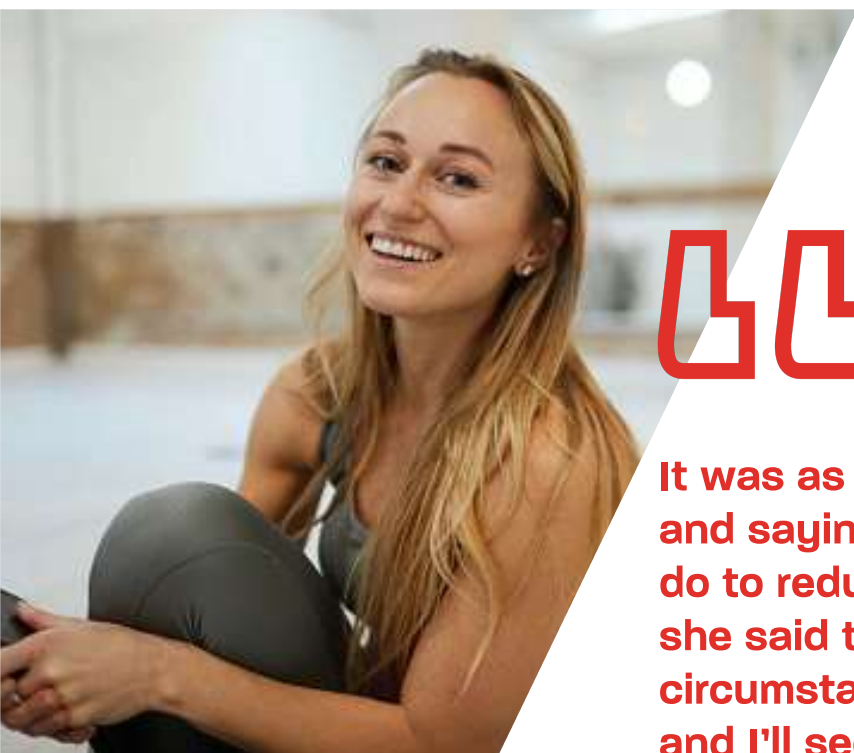
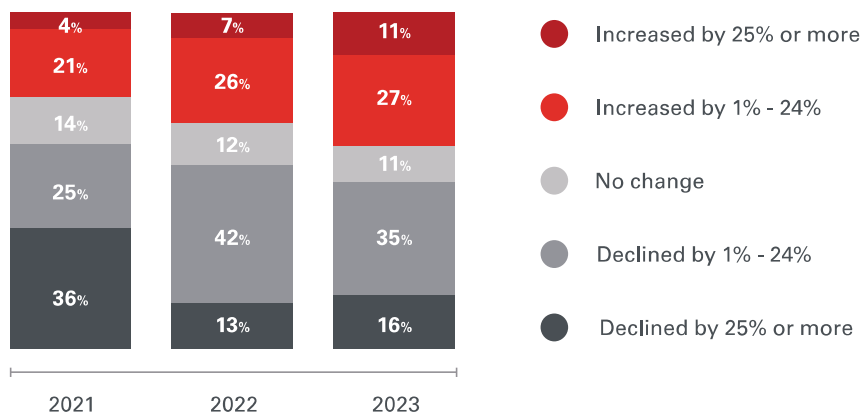
being impacted by supply cost increases. 40% report being impacted by wage cost increases and interest rate increases are impacting 37%. Other high impact economic events include sourcing challenges, labour shortages and declining consumer confidence.

Figure 2.4: Impacts from economic events



At the same time, business turnover is continuing to decline for many businesses, with 51% reporting a decline in revenue over the last 12 months (*see Figure 2.5*). While the rate of decline is slowing from the height of the COVID lockdowns, this rate of declining revenue is still stubbornly high and suggests many businesses are facing considerable challenges. These declines are widespread across business types and experiences, with only very large businesses slightly less likely to be experiencing decline.

Figure 2.5: Business turnover changes



It was as easy as calling up my broker and saying, 'Is there anything we can do to reduce our premiums?' And she said to me, 'Let's look at what circumstances have changed, and I'll see what I can do.'"

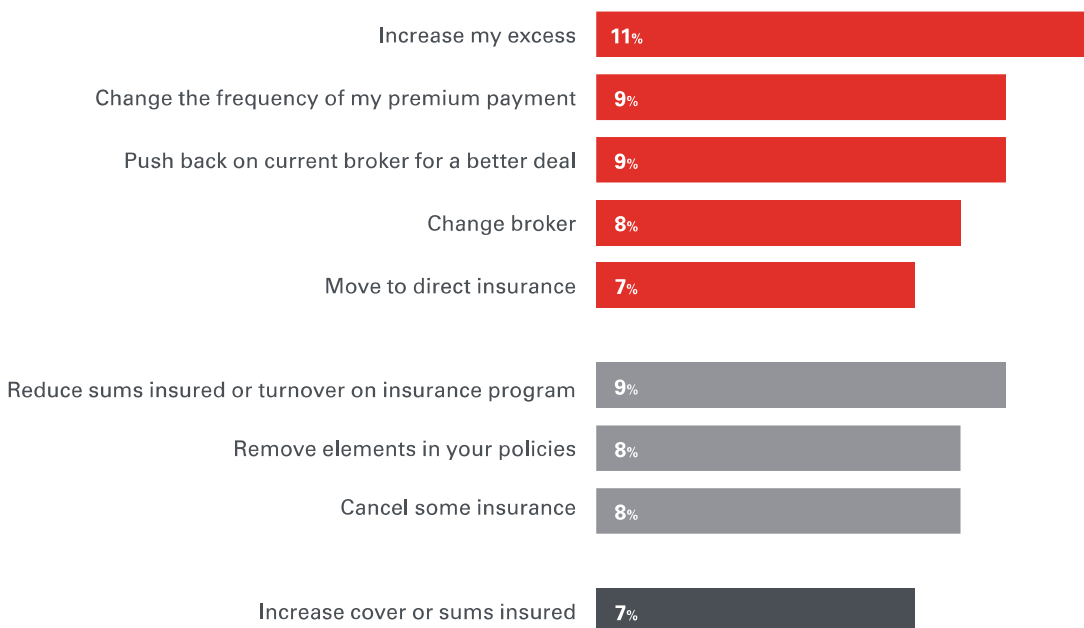


Insurance changes in response to economic events

Fluctuations in the economic cycle are to be expected and many businesses are adept at managing through changing conditions. So, to what extent are concerns about the economy impacting businesses' insurance decisions?

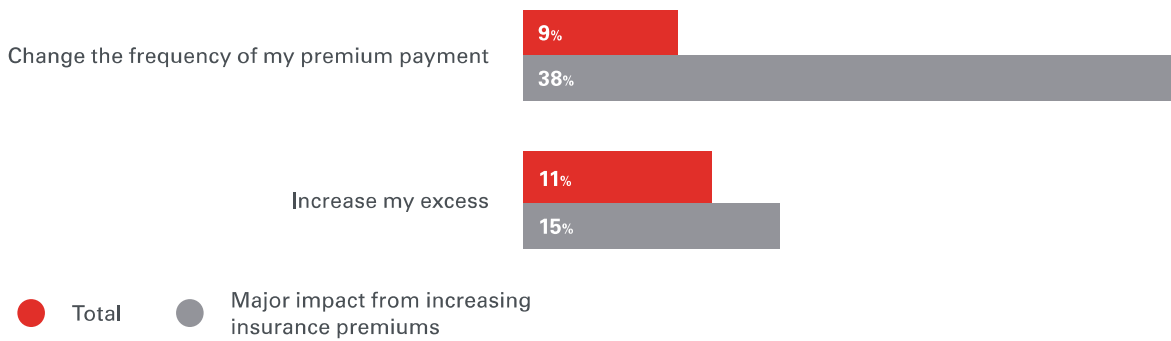
The data shows that almost half of businesses have made some changes to their insurance due to economic conditions. The most common changes include increasing their excess, changing the frequency of their premium payments, pushing back on their broker for a better deal or even moving to buying insurance direct (see Figure 2.6). This is an important reminder to brokers of the need to understand how businesses are coping with the challenges of inflation. Providing clients with relevant, tailored advice and options for managing repayments is particularly important at this time.

Figure 2.6: Insurance changes made due to economic events



Businesses who claim to have experienced major impacts from increasing insurance premiums are even more likely to be changing their insurance behaviour. Specifically, 38% of those impacted by increasing premiums are looking to change the frequency of their premium payments, compared to only 9% of the total, and 15% are looking to increase their excess, compared to 11% of the total (see Figure 2.7). This means that brokers should help clients understand if these are the right options for them and suggest alternative options where suitable.

Figure 2.7: Insurance changes made | Major impacts from increasing insurance premiums

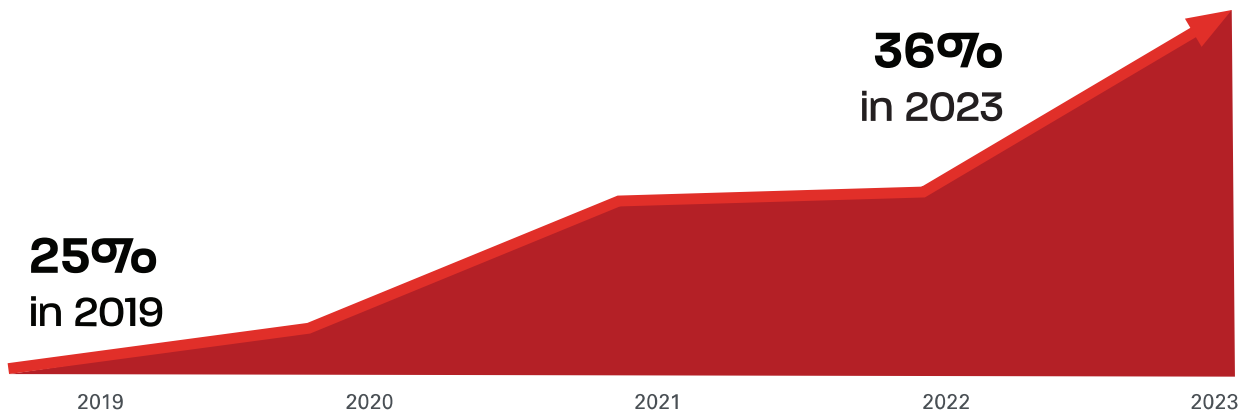


This is the first year that we have taken up the option to pay by the month because there was a downturn in business and cash flow is an issue. We might pay a little extra in fees but it's worth it."

Direct buyer price sensitivity and behaviour

Economic and price factors also appear to be having an impact on direct buyers' insurance behaviour. Price is increasingly cited as a reason for direct buyers not to use a broker, with 36% of direct buyers saying they don't use a broker because, "it would be more expensive to go through a broker", a significant increase from 25% in 2019 (see Figure 2.8).

Figure 2.8: Reason not to use a broker (direct buyers)

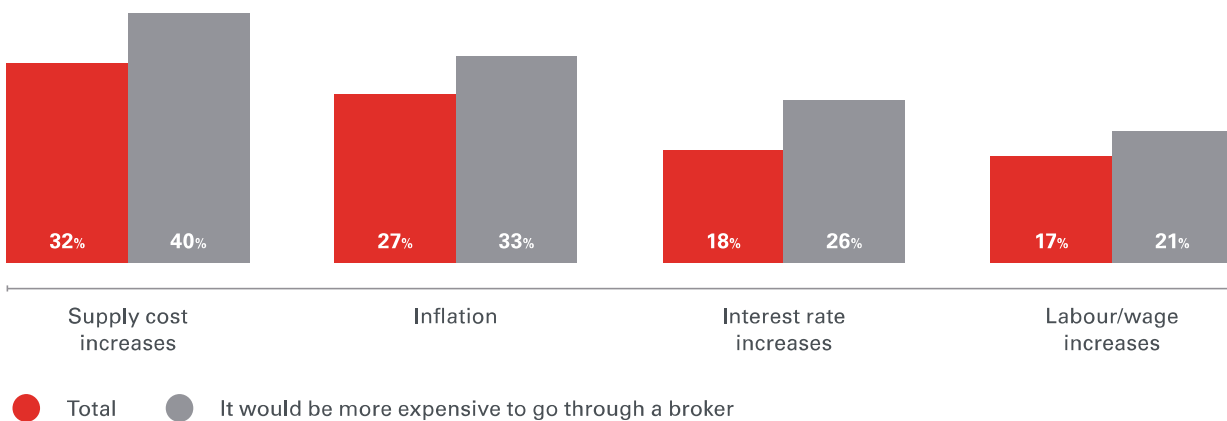


"It would be more expensive to go through a broker."

This barrier is particularly important for direct buyers who claim to have been impacted by cost-related economic events. For instance, supply cost increases impacted 40% of direct buyers who responded that they don't use a broker because it would be more expensive.

Compare this to 32% of all buyers who feel impacted by supply cost increases. (see Figure 2.9). Similarly, 33% of those who see price as a barrier to broker use have been majorly impacted by inflation compared to only 27% of all businesses.

Figure 2.9: Major impacts from economic events | Reason not to use a broker





Insight

Action

Insight:

Economic factors are a key concern for many Australian businesses, and this concern often impacts their insurance behaviour.

Action:

Brokers should check in with their clients to see how they are weathering inflation and cost increases and provide tailored advice and support where relevant to help them make sound insurance decisions.

Insight:

Cost increasingly appears to be a barrier that stops more direct buyers using brokers, especially for those businesses who have been impacted by supply cost increases and inflation.

Action:

Brokers could consider talking to prospective clients about the value that brokers can deliver, and how carefully planned insurance can be a benefit, not just a cost to their business, as well as demonstrating their ability to get more quotes/options and the right cover.

Chapter 3

How brokers support better insurance decision making

Insurance is a complex field and the expertise of insurance broking professionals can enable businesses to make informed risk and insurance decisions. To better understand the difference that quality risk advice can make to business, we have explored how decision making is made by businesses, and to what extent these decisions reflect the complexity of insurance.

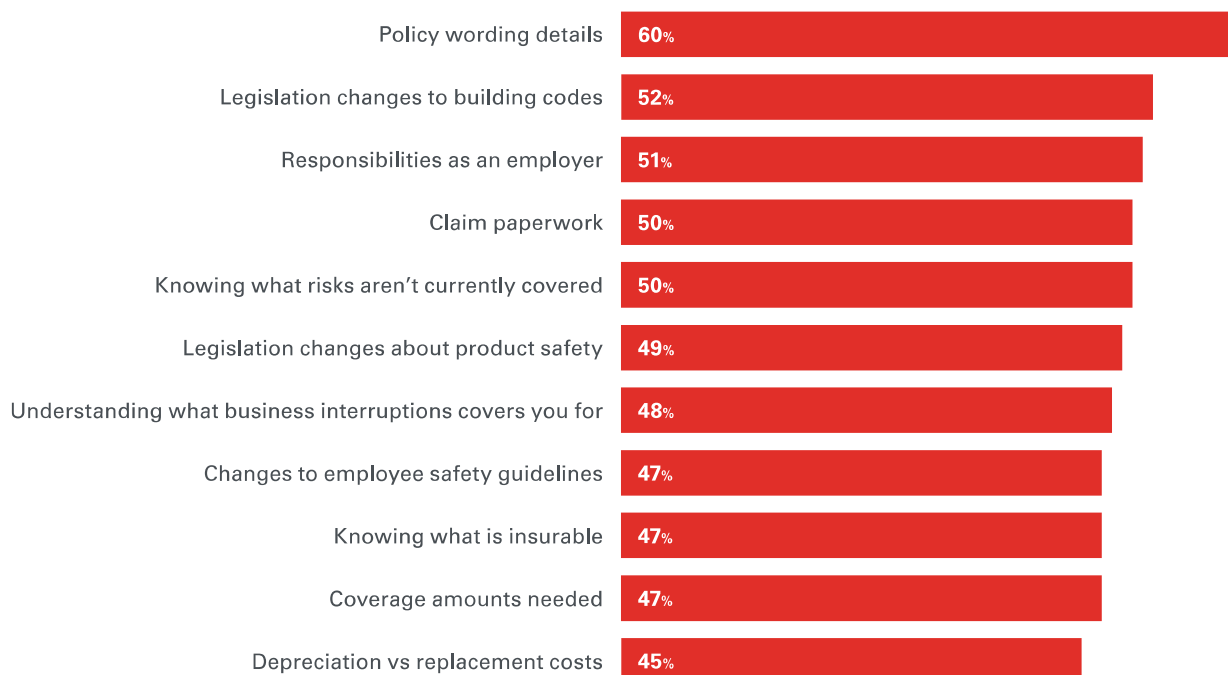
A wide range of insurance tasks are considered complex

In qualitative research, business owners and decision makers frequently describe insurance as complex. We wanted to unpack this further to discover what aspects of insurance businesses found particularly complex.

This year we asked businesses to rate the complexity of a range of insurance tasks. Unsurprisingly, understanding policy wording details topped the list, with 60% of businesses rating this as a complex task (*see Figure 3.1*).

Legislation changes to building codes and responsibilities as an employer were also rated as complex by over half of businesses surveyed. Whilst these areas topped the list of complex tasks, it is worth noting that all nominated areas were rated as complex by at least 45% of respondents, suggesting that businesses find most areas of insurance complex. Understanding the perceived complexity provides clear guidance to brokers.

Figure 3.1: Areas commonly rated as complex



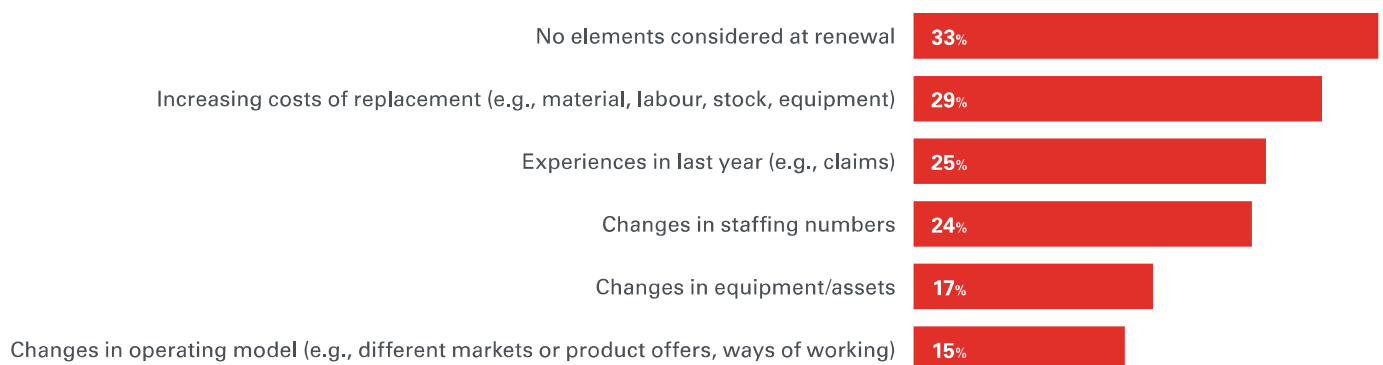


Many businesses aren't considering increasing costs at renewal time

Last year's Index identified that not all businesses were benefiting from broker advice at renewal time. This year, we explored renewal behaviour in more depth by asking businesses about the elements that they consider when renewing their insurance.

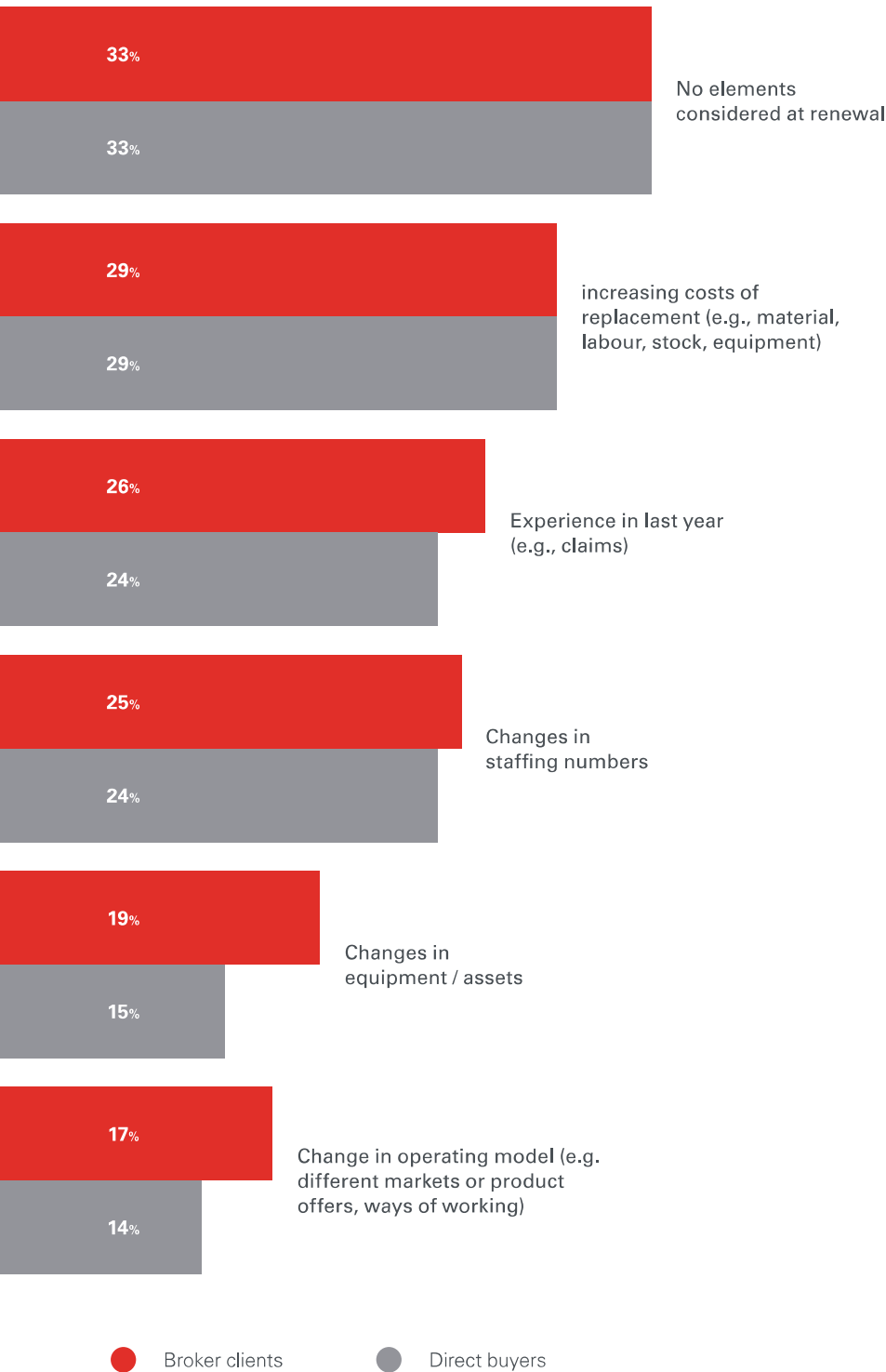
The headline is that a third of businesses do not take anything significant into account when renewing their insurance, reinforcing last year's finding that a third of businesses are not taking the opportunity to review and update their insurance. Given the high rates of inflation and supply cost increases there is a real risk of under-insurance (*see Figure 3.2*). More specifically, only 29% of businesses say they have considered the increasing replacement costs involved with claims when renewing their insurance. In a highly inflationary environment, many businesses may find that their insurance does not cover the full cost of rebuilding their business or replacing stock. Brokers play a critical role in educating their clients about the need to consider increasing costs when reviewing insurance coverage amounts to ensure clients are adequately covered.

Figure 3.2: Elements considered at renewal



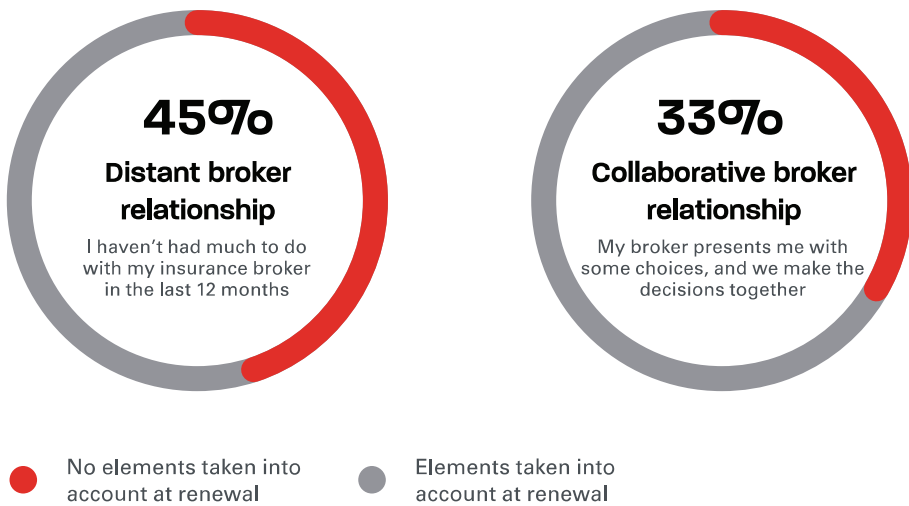
The data suggests that a third of broker clients are not receiving the benefit of their broker’s advice at renewal time, with broker clients just as likely as direct buyers not to have considered key factors such as increasing replacement costs (see Figure 3.3).

Figure 3.3: Elements considered at renewal, by purchase channel



Those with distant broker relationships (those who say that they haven't had much to do with their broker in the last year) are more likely not to have taken any elements into account when renewing their insurance compared to those who have more collaborative relationships (see Figure 3.4). This is a clear demonstration of the implications of distant relationships between brokers and their clients.

Figure 3.4: Elements considered at renewal, by broker relationship style

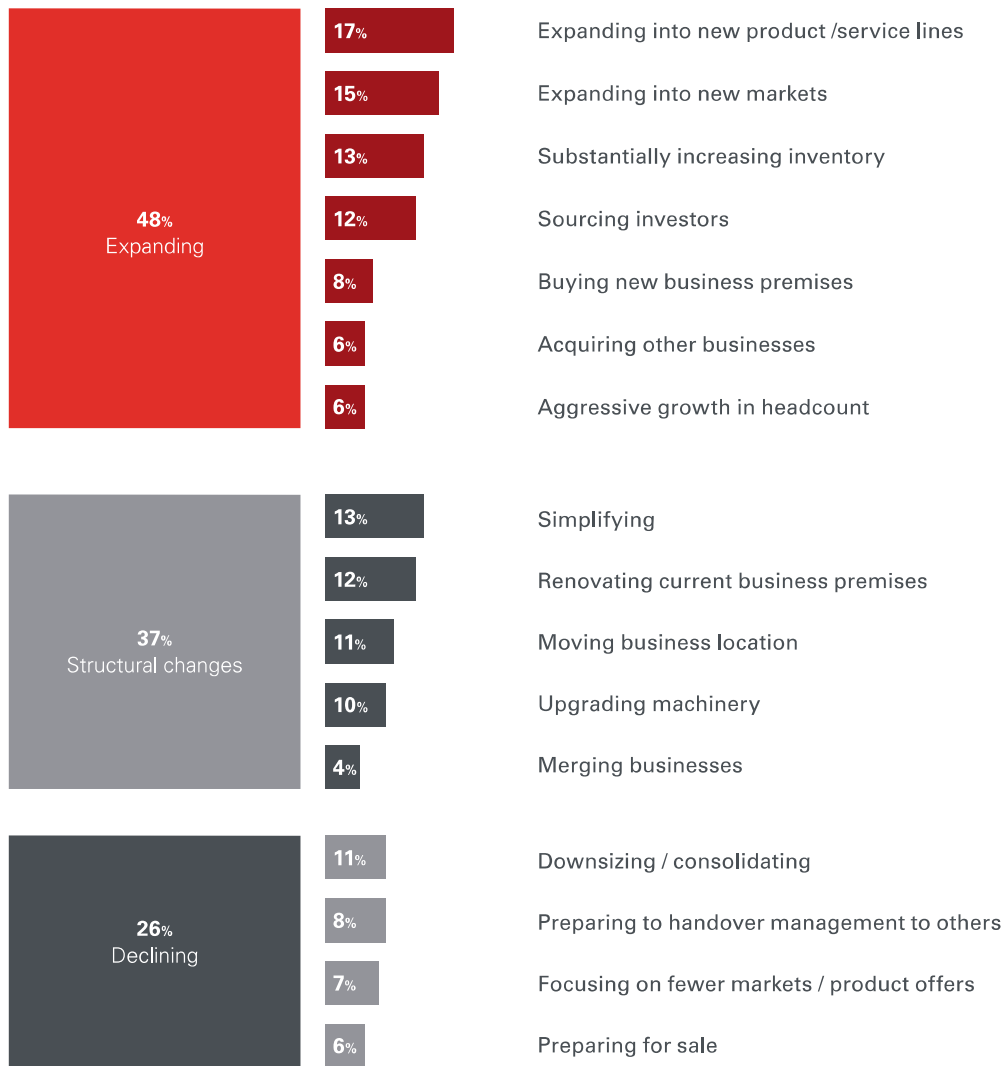


Planned business changes and insurance as an afterthought

Australian businesses are certainly dynamic and continually adapting, but does their insurance reflect this? This year, the Index asked respondents what, if any, changes they plan for the next twelve months. 61% of businesses nominated at least one planned change, with 48% of businesses planning some form of expansion, such as new product or service lines, new markets, increases in inventory or head count and new business premises (see Figure 3.5).

37% of businesses are planning structural changes, such as simplification, new premises, or renovations, while 26% are managing their decline, for example through downsizing or preparing to handover or sell. All of these changes can have an impact on insurance, which means it is important for brokers to understand their clients' business plans so they can advise appropriate insurance coverage to reflect business strategies.

Figure 3.5: Most common business plans



39% plan no changes in the next 12 months

While business changes are common, insurance is rarely top of mind when businesses are making these changes. In fact, a worryingly high 41% of businesses say that business insurance is the last thing they consider when making business changes (see Figure 3.6).

Figure 3.6: Insurance as part of the planning process



41%
admit when making
business changes,
insurance is the last
thing they consider

This is a significant concern and suggests that many businesses risk being exposed and potentially under-insured if factors such as increasing inventory and upgraded machinery are an afterthought, brokers need to be checking in to consider these factors. It also highlights a large number of businesses are missing the opportunity to engage brokers at an early stage in the business planning process. This is when brokers could add significant value that could help ensure effective risk

management is built into business decision making from the beginning, rather than an often more expensive afterthought. Once a premises has been renovated using certain materials or rented/purchased in an area that may be exposed to certain risks, it can have significant insurance implications. With the pressures of inflation and affordability a key component of insurance decision making, brokers have an opportunity to educate clients of the value of their services in terms of risk mitigation.



If I had my time again, I'd involve the brokers a lot earlier. It would have avoided a lot of confusion, a lot of white noise, and it would've been easier if we'd had that upfront guidance."



Insight

Action

Insight:

Businesses consider most insurance areas to be complex.

Action:

By helping clients navigate these areas and making the complex simple, brokers can deliver valued advice and demonstrate their expertise.

Insight:

It appears many businesses aren't reviewing any factors when renewing their business insurance through their broker, especially increasing replacement costs. This means that almost one third risk not being sufficiently covered to cover all rebuilding or replacement costs.

Action:

Brokers can play a role in reminding businesses about increasing replacement costs to ensure adequate insurance coverage, reducing their exposure at a time that is seeing increasing cost pressures on businesses.

Insight:

While the majority of businesses plan to make changes to their business in the next year, a large number say that insurance is the last thing they consider when making changes.

Action:

Any changes can have an impact on insurance. It is important for brokers to understand their clients' business plans so they can advise appropriate insurance changes.

Insight:

Many business decision makers think that policy wording is complex, putting businesses at risk of inappropriate cover if they haven't received expert advice and guidance.

Action:

Brokers can play a valuable role in educating clients, helping them to understand policy wordings and ensuring that they make good insurance decisions that reduce the risk of inappropriate insurance, manage insurance costs and reduce exposure.

Chapter 4

The role brokers play in improving the claims experience

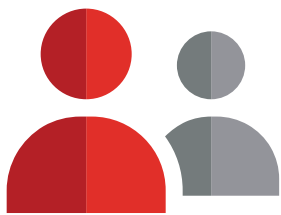
Claims are the ultimate moment of truth for insurance when the value of the right cover becomes tangible. Managing claims is a key selling point for many brokerages and an important area of interest in the Vero SME Insurance Index. This year we explore experiences for different types of claims and coverage levels to understand where brokers can make the most difference for their clients.

Broker clients are more satisfied with their claims experiences

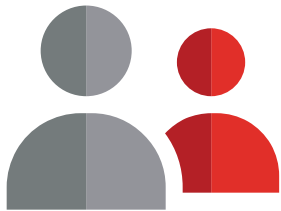
Once again, the findings of the Index show that broker clients are more satisfied with their claims experiences than those who buy their insurance direct. This year 68% of broker clients who made a claim say that they were satisfied with the experience, compared to

only 48% of direct clients, which is a similar result to last year (*see Figure 4.1*). This difference is a clear demonstration of the value that brokers deliver to their clients and could be used as a powerful sales message to attract new clients.

Figure 4.1: Claims satisfaction, by purchase channel



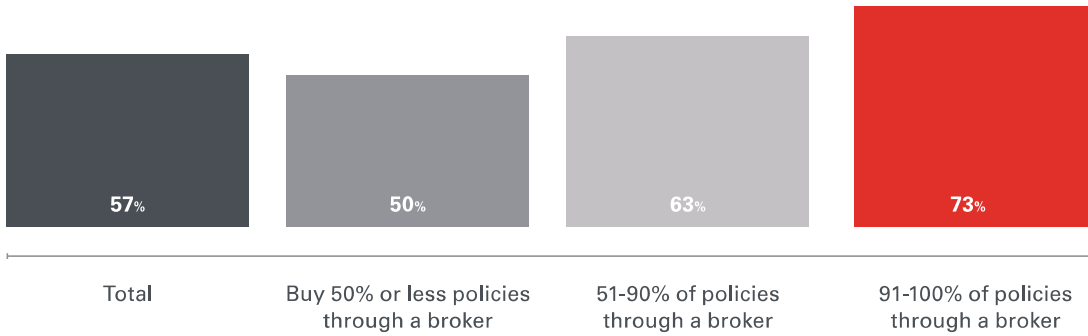
68%
Broker clients



48%
Direct buyers

Claims satisfaction is higher for heavy broker users. 73% of those who buy more than 90% of their insurance through a broker were satisfied with their claims, compared to 57% of total businesses and only 50% of those who buy less than half their insurance through a broker (see Figure 4.2).

Figure 4.2: % satisfied with claim by % of policies bought through a broker

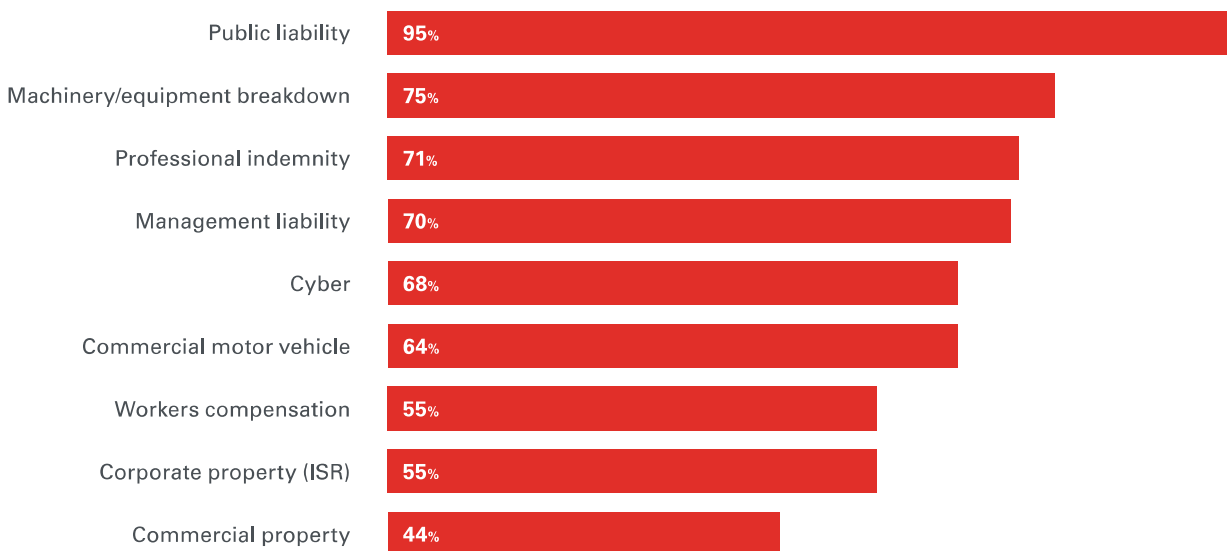


Satisfaction levels vary by policy type

This year, to test the hypothesis that claims experiences vary by policy, we asked respondents specifically about which claims they have made. The results indicated that there is indeed significant variability between claims experiences. 95% of public liability claims experiences were satisfactory

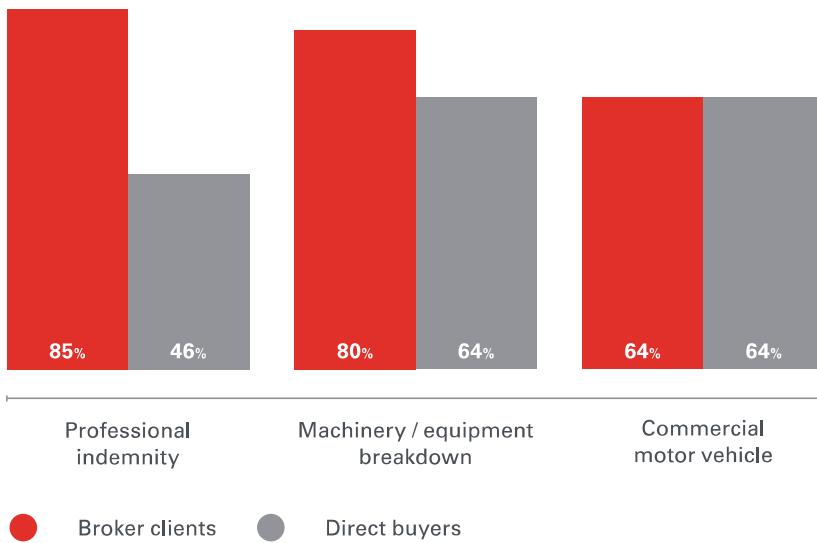
compared to only 44% of commercial property claims (see Figure 4.3) (Note that we have not included data on travel and business interruption claims due to the likely impact of COVID). This suggests that certain covers may need more care when it comes to clarifying and setting expectations about coverage.

Figure 4.3: Claim satisfaction by policy



Interesting differences emerge when comparing claims satisfaction for specific covers between broker clients and direct buyers. Broker clients tend to be more satisfied with claims on more complex policies. For example, 85% of broker clients were satisfied with professional indemnity claims compared to only 46% of direct clients (see Figure 4.4). However, differences are smaller when it comes to simpler claims, with 64% of both broker clients and direct buyers being satisfied with their commercial motor vehicle claims.

Figure 4.4: Claim satisfaction, by policy and purchase channel

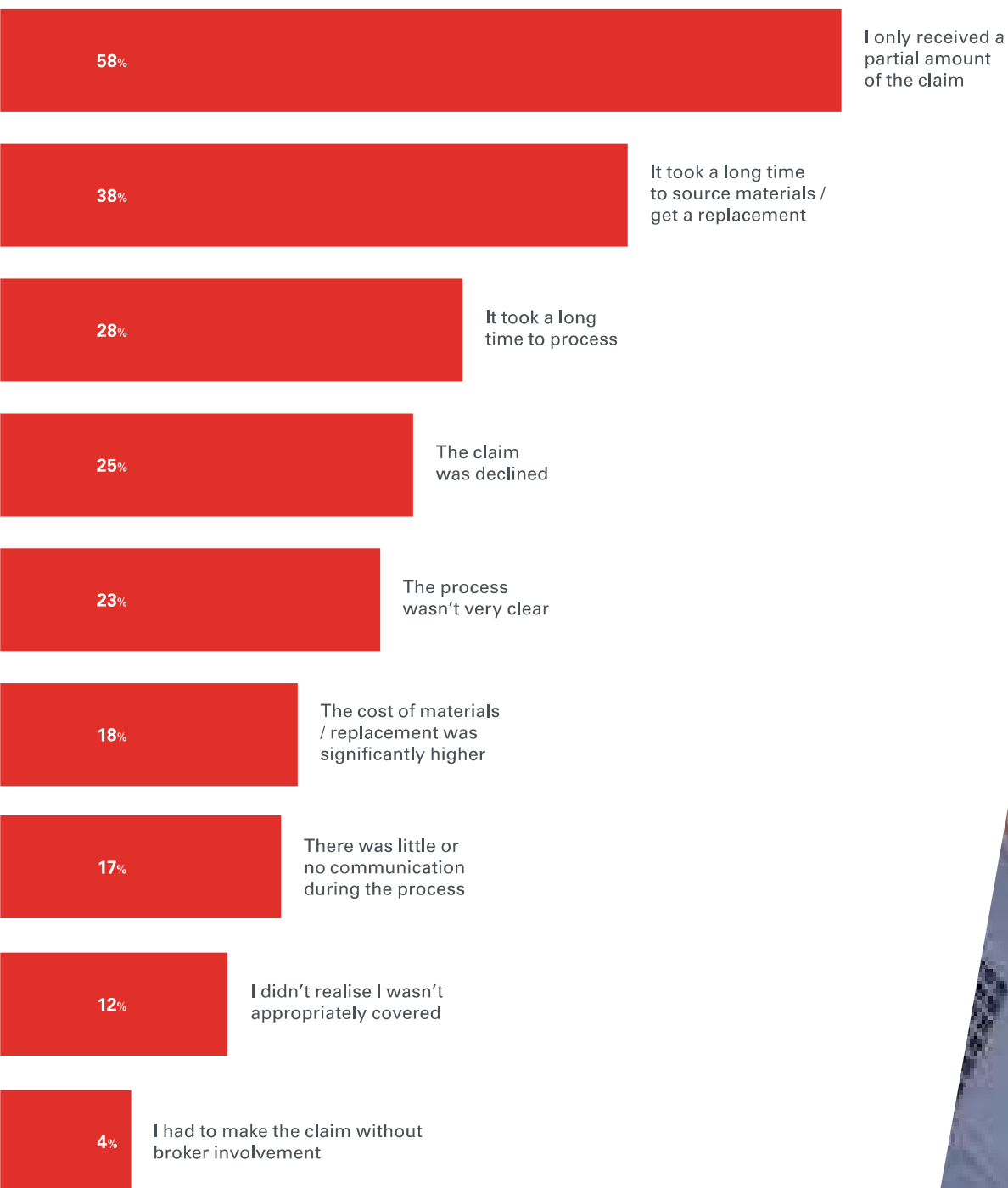


On the odd occasion we have had to make a claim, it's very easy to phone the broker and he handles it. It makes life very easy."

Partial claim pay-outs are the leading reason for claim dissatisfaction

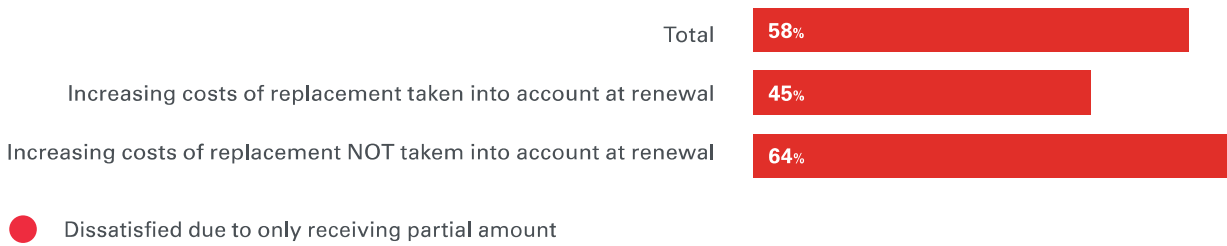
There are many reasons that businesses may feel dissatisfied with their claim. Receiving a partial amount of the claim is the most common reason businesses cite for dissatisfaction, at 58% (see Figure 4.5). This highlights the importance of ensuring businesses have the correct coverage, understand what they are covered for and update their cover regularly to reflect both the changing market and their circumstances.

Figure 4.5: Reasons dissatisfied with claim



Reviewing coverage and replacement levels is particularly important. Businesses that didn't take increasing replacement costs into account when renewing their insurance are more likely to be dissatisfied with their claims due to partial pay-outs (64%), compared to those who did take increasing costs into account being dissatisfied for partial pay-out at 45% (see *Figure 4.6*).

Figure 4.6: Dissatisfied with claim due to only receiving partial amount, by elements considered at renewal



Communication, speed and expectation management drive claims satisfaction

Speed and clear communications are the main reasons for businesses to be satisfied with their claims experience. However, there are notable differences in these reasons between broker clients and direct buyers. 66% of direct buyers are satisfied because their claim was quick, compared to 54% of broker clients (see

Figure 4.7). Broker clients are far more likely to say they are satisfied because of effective communication (69% compared to 48% for direct buyers), they received the full amount of the claim (60% compared to 51%) and the process was clear (49% compared to 44%).

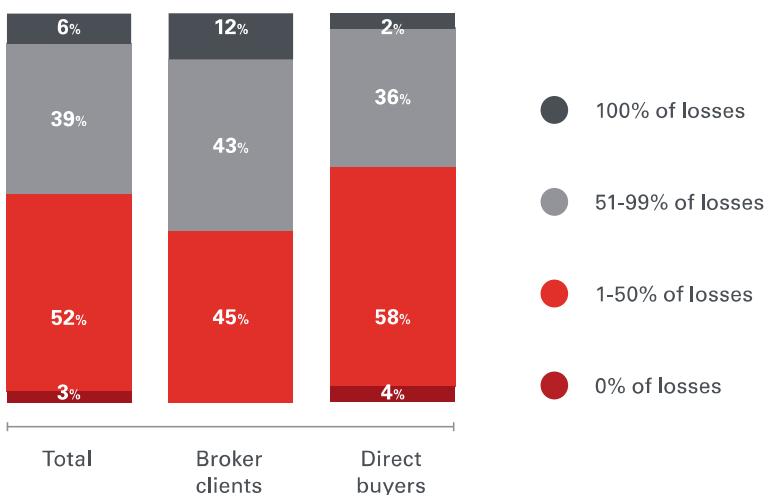
Figure 4.7: Reasons for claims satisfaction





Looking more closely at reported claim coverage, broker usage appears to be associated with higher levels of pay-outs. 55% of broker clients report more than half of their losses were covered, compared to only 38% of direct buyers, demonstrating that broker clients tend to have better experiences at claim time (see *Figure 4.8*).

Figure 4.8: Reported claim coverage of losses



These differences highlight the value that brokers can bring their clients, including more accurate coverage that leads to more complete claims payouts and better communication and expectation management.



Insight

Action

Insight:

Broker clients are more satisfied with their claims experiences than those who buy direct.

Action:

This is a powerful demonstration of the value of using a broker and could provide a helpful sales message for brokers to use when talking to prospective clients.

Insight:

Claims satisfaction varies widely by policy: broker clients tend to be more satisfied than direct clients for more complex covers such as Professional Indemnity, while the difference is smaller for simpler claims.

Action:

Certain covers, especially more complex covers, may need more care when it comes to clarifying and setting expectations on coverage, but also demonstrate the value that brokers bring to the claims process.

Insight:

Coverage level impacts satisfaction, and the most common reason to be dissatisfied with a claim is only receiving partial claims payout.

Action:

This highlights the importance of reviewing coverage amounts at renewal time, discussing issues like replacement costs and ensuring that clients understand exactly what they are covered for.

**For more information contact
your local Vero representative**

vero.com.au/broker ►



AAI Limited ABN 48 005 297 807 trading as Vero Insurance (Vero) has prepared this Vero SME Insurance Index Report (Report) for general information purposes only.

Vero and its related bodies corporate do not assume or accept any liability whatsoever (including liability for special, indirect, consequential or incidental damages, or damages for loss of profits, revenue or loss of use) arising out of or relating to this Report or the information it contains.

Do not invite reliance upon or accept responsibility for the information it provides on or through this Report. Vero and its related bodies corporate do not give any guarantees, undertakings or warranties concerning the accuracy, reliability, completeness or currency of the information provided.

This Report is not a recommendation or statement of opinion about whether a reader should acquire insurance from Vero (or its related bodies corporate) or services from any insurance intermediary or otherwise alter their business arrangements. This Report is based on research commissioned by Vero and should not be used as the basis for any decision in relation to the acquisition or disposal of insurance products or the use of broker services. Readers should confirm information and interpretation of information by seeking independent advice.