



# Informed

Assessing customer needs to ensure appropriate cover helps them at claim time.

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# Introduction

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Claims are the moment of truth for SMEs – it's where the rubber hits the road.

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Claim time is the point at which the idea of insurance becomes a reality for many SMEs, when the validity of their risk assessment and the suitability of their cover are put to the test.

This report examines the experience and expectations of SMEs who have made a recent claim and the role that brokers and advisers play to improve this experience. There is a clear link between collaboration, in-depth analysis of options, expectations of claim outcomes and satisfaction, and the role of brokers and advisers throughout the insurance process is central to this.

Ultimately, claims are the point at which assumptions about risk and insurance knowledge are truly assessed and where the value of a broker or adviser clearly comes through.

We hope that the insights uncovered are useful in helping brokers and advisers when it comes to both service strategies for existing clients and key messages of the value of brokers or advisers for potential clients.

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# Executive summary

- The tendency for broker and adviser SME clients to be more satisfied with their claims experience than direct buyers is a key message to consider when communicating with potential clients.
- On the flip side, the higher risk of having an unsatisfactory claims experience as a direct buyer is also beneficial to communicate to SMEs, in particular to existing clients who might be considering moving some policies direct.
- There is an increased likelihood of SMEs having claim experiences that meet their expectations amongst broker and adviser clients which we suggest links to a greater level of understanding when using a broker or adviser. Consider communicating this finding to potential clients.
- The most pivotal moment to influence a claim experience is when a broker or adviser is selling the policy to a SME, because it comes down to educating and working with their clients to find the insurance that best fits their business requirements.
- Brokers and advisers should educate clients on what to expect during the claims process because this experience, whether fairly or not, is clearly linked to how SMEs feel about their broker or adviser overall.
- Brokers and advisers should consider cultivating more collaborative relationships with their clients – this includes having more involved discussions with clients about their insurance policy options when putting cover in place.
- While claims outcomes are influenced by a number of factors, there is a connection between SMEs who have claims experiences that meet their expectations and getting in-depth information about insurance options from brokers and advisers.
- Brokers and advisers should focus on providing in-depth information on client's insurance options to help ensure the most appropriate levels of coverage and increase the likelihood of having satisfied clients.
- It's also important that brokers and advisers give clarity to their clients on how a claim payout may be calculated. For instance, the original value of a piece of equipment vs the depreciated value being covered can impact a client's claims experience, as their expected claims outcome may be different to the actual outcome. If a client understands that their policy covers the depreciated value of their equipment, they are more likely to see their loss as fully covered.

# The findings

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The first report of the 2021 Vero SME Insurance Index focusses on claims, including:

- **Using a broker or adviser links to positive claim experiences for SMEs**
- **Better informed SMEs tend to experience claims outcomes that are aligned to their expectations.**

These topics will be explored in detail in this report.

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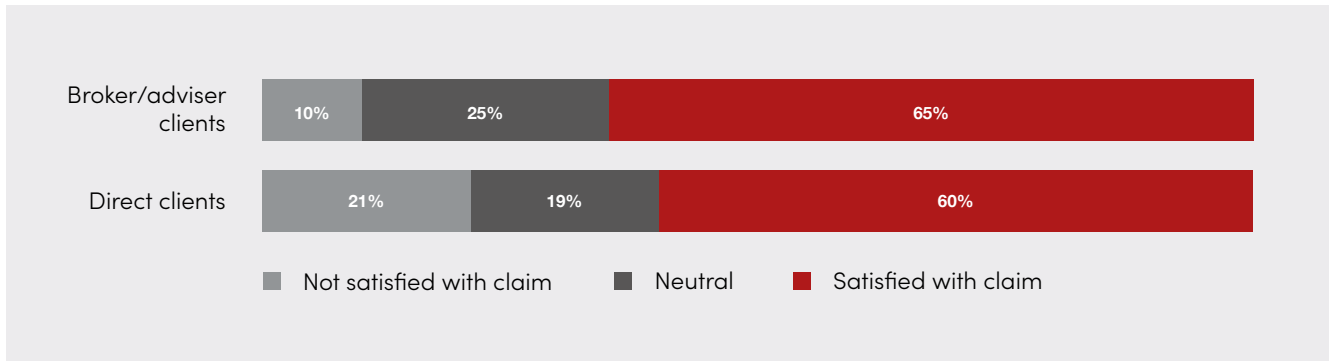
# Using a broker or adviser links to positive claim experiences for SMEs

## Broker and adviser SME clients are more satisfied with their claims experience, and this links to greater satisfaction overall.

In general SMEs who use brokers or advisers tend to be more satisfied with their claims experience than direct buyers. Differences in claims experience are most obvious when looking at those who were not satisfied. Specifically,

21% of direct buyers are dissatisfied with their claim experience, compared to only 10% of broker or adviser clients (see Figure 1.1).

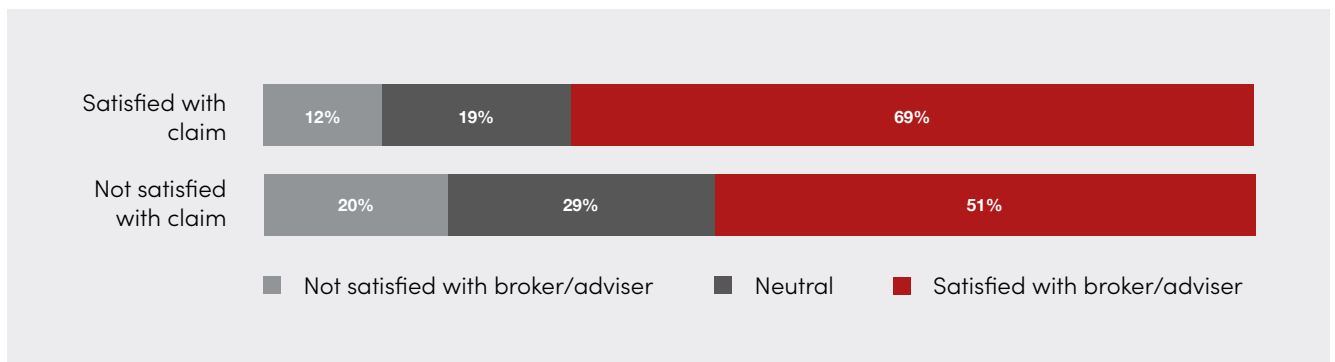
Figure 1.1: Claim satisfaction by purchase channel



There is also a clear link between SMEs' satisfaction with their claims experience and satisfaction rates with their broker or adviser. Over two thirds (69%) of SMEs who report being satisfied with their claims experience also report being satisfied with their broker or adviser, compared to only 51% of SMEs who report not being satisfied with their claim experience (see Figure 1.2).

The data shows that SMEs who have a positive claim experience are also more likely to feel positively towards their broker or adviser. One explanation for this could be that brokers and advisers who provide expert advice and the right cover are then more likely to have clients who have a positive claims experience.

Figure 1.2: Broker satisfaction by claims satisfaction

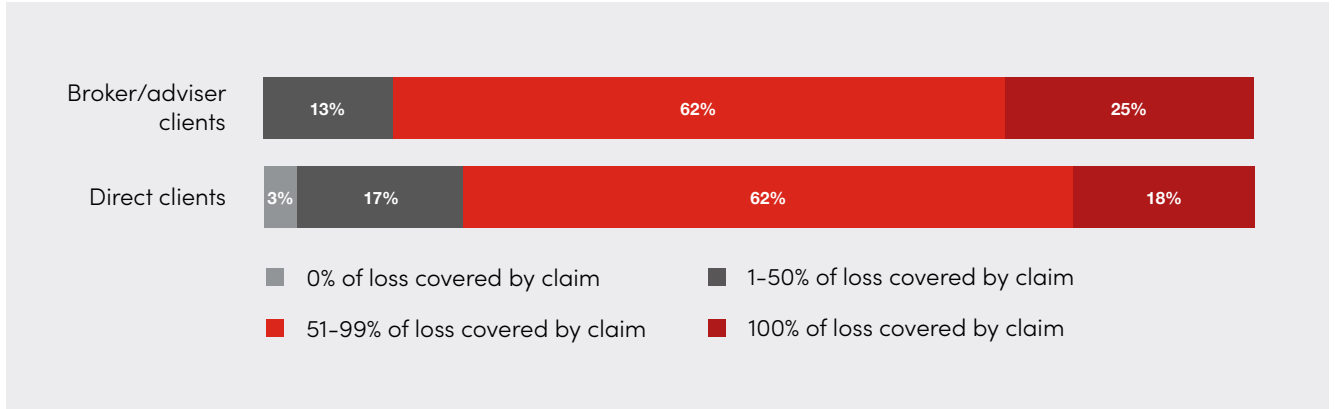


## SME broker and adviser clients are more likely to report a larger proportion of their losses covered, compared to direct buyers.

Higher levels of claim outcomes meeting expectations\* also correlate with how SMEs purchase their insurance. SMEs who use a broker or adviser are more likely to report that

the full impact of the loss was covered by an insurance claim compared to those who purchased direct (see Figure 1.3).

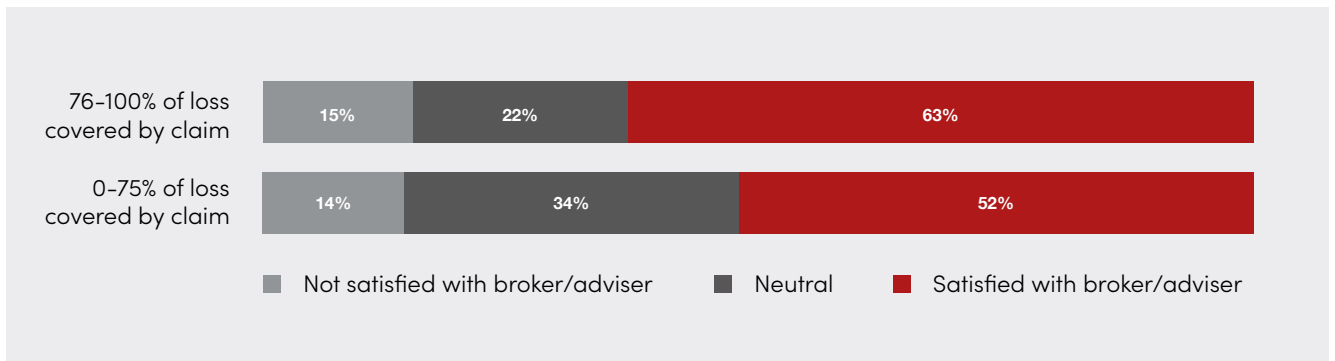
Figure 1.3: Reported claim outcome by purchase channel



Even though insurance payouts are influenced by a number of factors, most of which are outside of a broker or adviser's direct control, SME claims outcome expectations are closely linked to broker and adviser satisfaction. Almost

two thirds (63%) of those whose claim covered over 75% of their loss report being satisfied with their broker, compared to just over half (52%) who reported a lower loss coverage (see Figure 1.4).

Figure 1.4: Broker/adviser satisfaction by reported claim outcome



\*What do we mean when we say 'claim outcomes meeting expectations'? Claims are paid out in line with the policy coverage but SMEs perceptions of the final result may differ depending on what they expected to receive. For example, the claim is paid out at 100% based on the policy response, but the SME perceives they received 75% of their expected claims outcome.





Claims are a critical “moment of truth” for any insurance user, and brokers and advisers can promote better claims outcomes as a benefit of SMEs engaging with them.

## What this means for brokers and advisers

- The tendency for broker and adviser SME clients to be more satisfied with their claims experience than direct buyers is a key message to consider when communicating with potential clients.
- On the flip side, the higher risk of having an unsatisfactory claims experience as a direct buyer is also beneficial to communicate to SMEs, in particular to existing clients who might be considering moving some policies direct.
- There is an increased likelihood of SMEs having claim experiences that meet their expectations amongst broker and adviser clients which we suggest links to a greater level of understanding when using a broker or adviser. Consider communicating this finding to potential clients.
- The most pivotal moment to influence a claim experience is when a broker or adviser is selling the policy to an SME, because it comes down to educating and working with their clients to find the insurance that best fits their business requirements.
- Brokers and advisers should educate clients on what to expect during the claims process because this experience, whether fairly or not, is clearly linked to how SMEs feel about their broker or adviser overall.



**Better informed  
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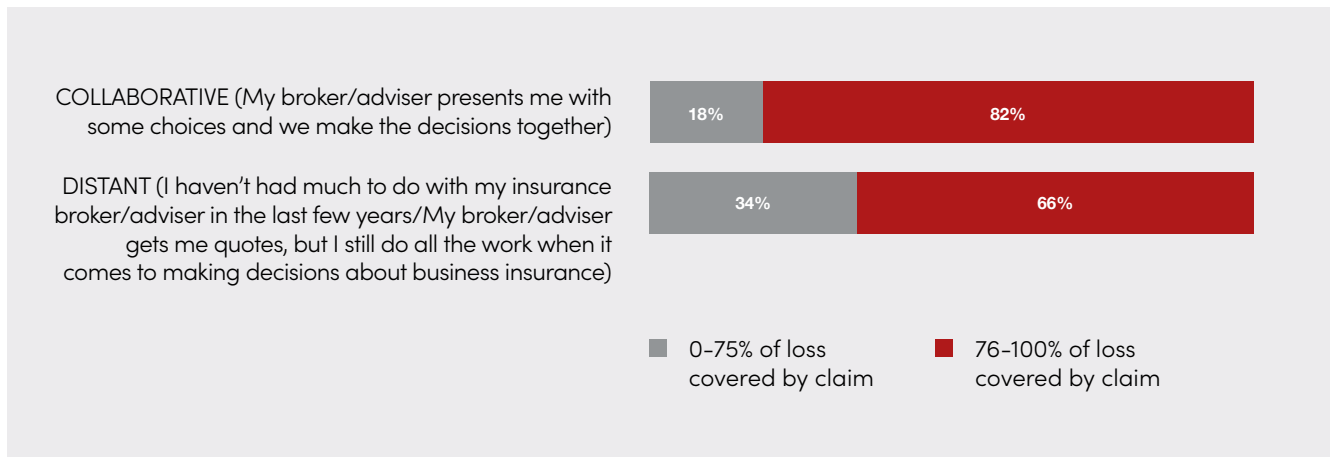
## Collaborative relationships are linked to better claims outcomes in the eyes of SMEs.

The amount of loss covered during a claim is directly impacted by the details within a policy, but a SME may not see the difference between policies until it comes time to make a claim. So what can brokers and advisers do to promote satisfactory claims outcomes for their clients?

One of the most significant differences, in terms of a SMEs claim outcome meeting their expectations, was found when

looking at the type of relationship SMEs had with their brokers or advisers. Specifically, 82% of broker or adviser clients who reported a high claim outcome (over 75% of loss covered) report having a collaborative relationship with their broker or adviser, while only 66% of those with a distant relationship reported a high claim outcome (see Figure 2.1).

Figure 2.1: Reported claim outcome by type of relationship

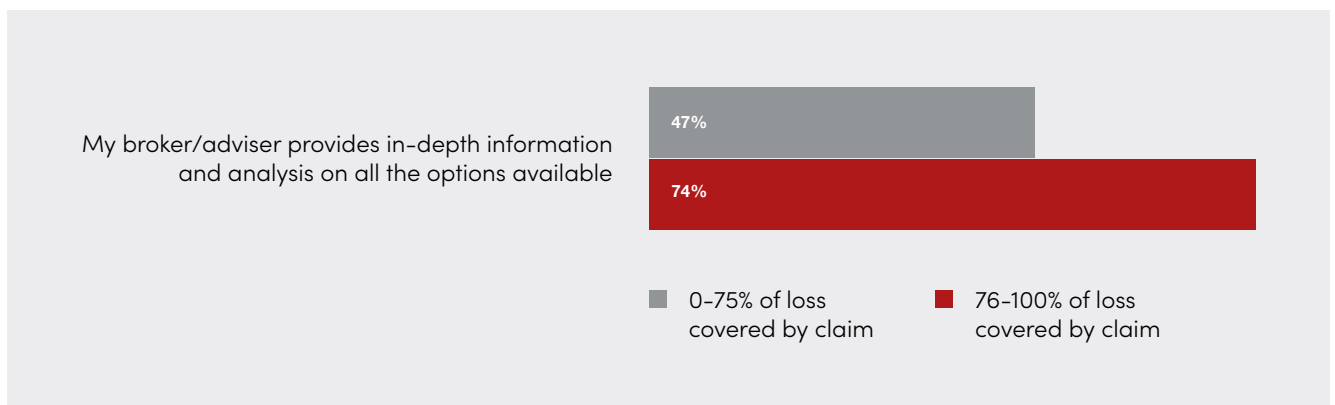



## There is a clear connection between claims outcomes meeting SMEs expectations and having in-depth information about insurance options from brokers and advisers.

When we compare SME broker and adviser clients who reported their claim outcome as high (over 75% of the loss covered) to those who did not, a key difference was the higher likelihood of them having a broker or adviser that provided in-depth information and analysis on all the insurance options available. 74% of broker or adviser clients who reported their claim outcome as high reported their

broker or adviser provided this information, compared to only 47% of broker or adviser clients who reported a lower claim outcome (see Figure 2.2). This suggests that being more informed links to more appropriate insurance decisions and/or expectations, and therefore a greater likelihood of positive claim outcomes in the eyes of SMEs.

Figure 2.2: In-depth information and analysis on all the options available by reported claim outcome





When brokers and advisers provide policy options to their SME clients, they are more likely to experience claims outcomes that align to their expectations.

## What this means for brokers and advisers

- Brokers and advisers should consider cultivating more collaborative relationships with their clients – this includes having more involved discussions with clients about their insurance policy options when putting cover in place.
- While claims outcomes are influenced by a number of factors, there is a connection between SMEs who have claims experiences that meet their expectations and getting in-depth information about insurance options from brokers and advisers.
- Brokers and advisers should focus on providing in-depth information on client's insurance options to help ensure the most appropriate levels of coverage and increase the likelihood of having satisfied clients.
- It's also important that brokers and advisers give clarity to their clients on how a claim payout may be calculated. For instance, the original value of a piece of equipment vs the depreciated value being covered can impact a client's claims experience, as their expected claims outcome may be different to the actual outcome. If a client understands that their policy covers the depreciated value of their equipment, they are more likely to see their loss as fully covered.

# How we're helping brokers and advisers

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We know from the survey findings that collaboration and in-depth information on the relevant insurance options are important to build effective relationships with clients, but brokers and advisers are under practical constraints when it comes to the amount of time they can invest in each client.

One way Vero helps to support brokers and advisers in providing more efficient support to their clients is the Vero Risk Profiler tool. Vero's team of risk management specialists have developed the risk profiler, to help brokers and advisers provide insight and guidance to SME customers.

The risk profiler provides claims statistics, guides on how to mitigate typical risks by industry group and in-depth information on high risk activities. It also has a range of checklists, making it easier to add value and support SME clients.

You can check out the Vero Risk Profiler tool here [vero.co.nz/risk-profiler](https://vero.co.nz/risk-profiler)

# The research

**This report is based on research involving 900 business owners and decision makers from around New Zealand. The research was independently\* conducted using an online quantitative survey.**

900 business owners and insurance decision makers were interviewed, covering a range of business types, locations and sizes. The survey was conducted during December 2020 and the data was weighted by business size to current Statistics New Zealand data. The survey covered:

- general business challenges
- attitudes towards insurance
- insurance purchase process
- attitudes towards insurance brokers
- demographics

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

Businesses were divided into two groups, following Statistics New Zealand standards:

#### **Micro**

Businesses which employ 0 (self-employed)-5 employees

#### **Small**

Businesses which employ 6-19 employees

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

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