

**Vero New Zealand  
SME Insurance Index 2022**

—  
EXPLORING GROWTH  
OPPORTUNITIES FOR  
BROKERS AND ADVISERS

*Informed*

Insights into small business drive new opportunities.

**vero**



**SUNCORP**

PART OF SUNCORP  
NEW ZEALAND

# Introduction

## Welcome to the first issue of the Vero New Zealand SME Insurance Index 2022.

Even in the best of times, uncertainty is a part of business and life, and in the last two years all aspects of our lives have seen uncertainty with no real end in sight. As we learn to live with and adjust to previously unthought scenarios, our ability to learn and adapt to new conditions will define our ability to thrive in an uncertain world. Which means that gaining insights into how things are changing is important. In this context, we are pleased to share the findings of the 6th edition of the Vero New Zealand SME Insurance Index.

Our findings demonstrate that brokers and advisers play a highly important role through the business lifecycle, ensuring that business owners are well-informed and equipped to make decisions that will protect their business and livelihoods. In this edition we focus on how brokers and advisers can best deliver to their clients and how they can attract direct buyers.

We hope that the insights uncovered are useful in helping brokers and advisers to develop communications and ways of working that deliver growth for brokerages and increased satisfaction for their clients.

“As we learn to live with and adjust to previously unthought scenarios, our ability to learn and adapt to new conditions will define our ability to thrive in an uncertain world. Which means that gaining insights into how things are changing is important.”

# Contents

---

|   |           |
|---|-----------|
| The findings  | <b>4</b>  |
| Executive summary   | <b>5</b>  |
| Part 1: Enhancing positive broker and<br>adviser client experiences | <b>6</b>  |
| Part 2: Uncovering opportunities to<br>attract direct buyers        | <b>13</b> |
| The research  | <b>22</b> |

# The findings

---

The first issue of the Vero SME Insurance Index 2022 focuses on trends in insurance, including:

- **Enhancing positive broker and adviser client experiences**
- **Uncovering opportunities to attract direct buyers**

These topics will be explored in detail in this report.

---

# Executive summary

This year's research results uncovered many opportunities for brokers and advisers to grow their business and this report explores these findings:

- The more brokers collaborate with their SME clients, the more likely they are to be satisfied. When providing initial quotes and deciding on the best cover to choose, as well as at renewal, brokers could consider working more closely with clients to increase satisfaction.
- Consider each interaction an opportunity to further build perceptions of expertise. Sharing useful and relevant information and demonstrating the value of advice will create more confidence and trust with clients.
- Focussing on providing information and analysis, checking up on changes and providing advice and recommendations, especially on mitigating risk, can enable brokers to demonstrate value to clients.
- The complexity of insurance and general confusion about what insurance SMEs need for their business are reasons for them to start using a broker. To help SMEs and to demonstrate their expertise in dealing with complex insurance needs, brokers could provide SMEs with simplified explanations of relevant covers and examples of how the policy applies to their business via case studies, for example.
- Many direct buyers simply hadn't thought of using a broker, suggesting a significant opportunity to raise awareness amongst SMEs about the value of using a broker.
- While price is the highest top of mind reason to try a broker, guidance, explanations, and expertise would also inspire many to try a broker, which means that helping direct buyers understand their insurance can help persuade them of the value of trying a broker.
- Word of mouth recommendations are very important to SMEs, meaning brokerages could consider developing referral strategies to encourage satisfied clients and relevant business advisors (e.g. accountants) to provide recommendations.
- To attract younger SMEs, brokerages could consider enhanced online search presence and targeted advertising, as well as helping younger audiences to better understand the benefits of using a broker through blogs and having a social media presence with regular and relevant content.





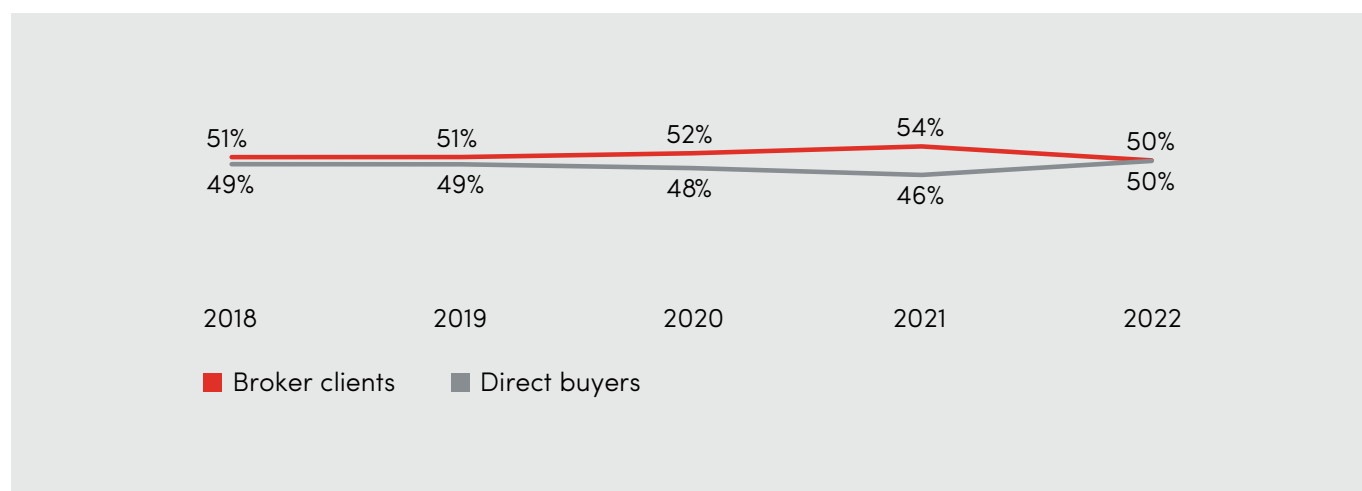
# **Part 1: Enhancing positive broker and adviser client experiences**



## Broker and adviser usage trend experiences slight decline

SMEs in New Zealand have undergone significant change and disruption in the last two years, with many searching for alternative ways of doing things to ensure their business survives and thrives. However, even in these turbulent times, broker usage has remained fairly stable. Brokers have traditionally been the preferred way for businesses to buy insurance in New Zealand, and while there are now other options and purchase channels, at least half of New Zealand SMEs are still choosing to use brokers. Specifically, this year 50% of small business owners and decision makers said that they used a broker to purchase their insurance, which is slightly less than the 54% recorded last year (see Figure 1.1).

Figure 1.1: Trends in broker usage rates (last/most important policy purchase channel)



Looking deeper into broker usage, some slight differences emerge in the profile of broker users. Certain groups are more likely to use brokers for their important insurance policies, particularly females (53% use brokers compared to 48% of males), SMEs over the age of 45 (53% compared to 44% of their younger peers) and businesses that have been established for longer than 10 years (55% compared to 46% of newer businesses).

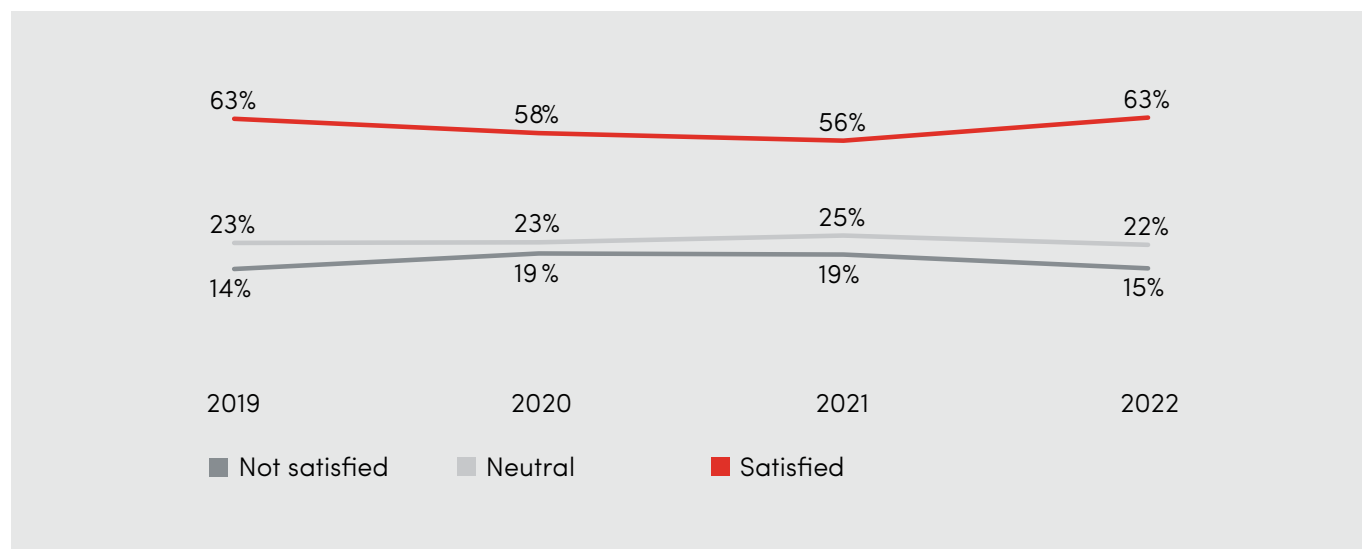
In addition, business size is correlated with increased broker usage. 56% of businesses with 6-19 employees use a broker, compared to only 48% of sole operators (see Figure 1.2).



## The important link between client satisfaction and broker and adviser relationships

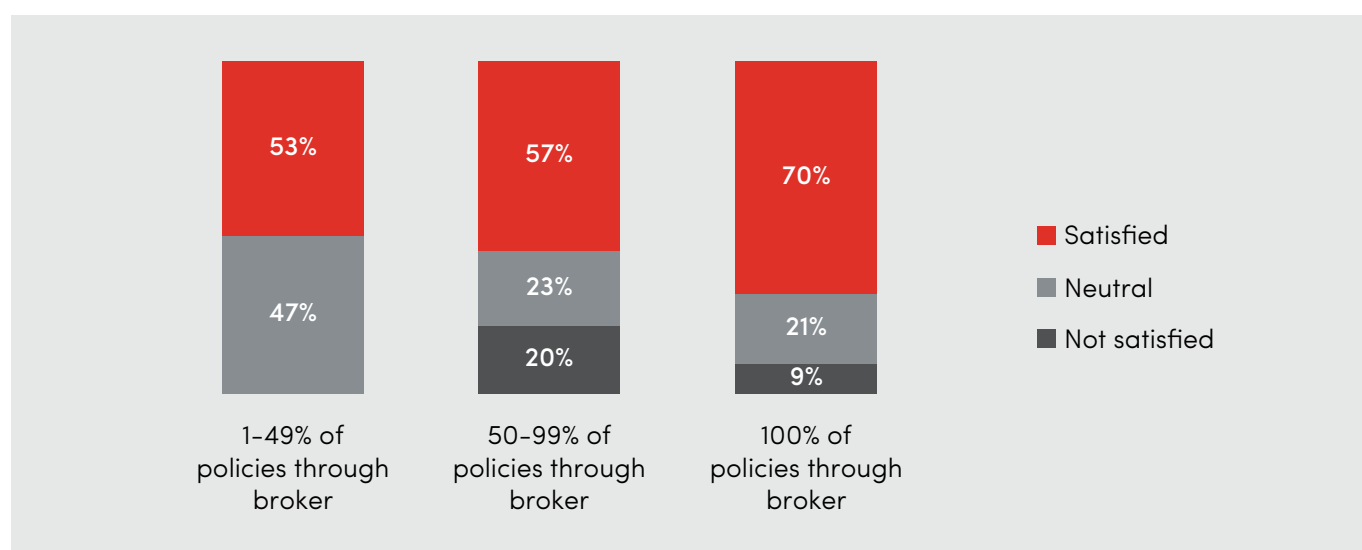
This year there has been a sharp rise in the number of broker clients who say that they are satisfied with their broker with 63% of broker clients scoring their broker at least 8 out of 10, compared to 56% last year (see Figure 1.3). Customer satisfaction has increased in a wide range of industries this year, meaning this aligns to a broader trend. However, this also indicates positive work done by brokers to help their customers during recent challenging times.

Figure 1.3: Trends in broker satisfaction



Customer satisfaction is important for professional services and therefore it can be instructive to understand the factors that are associated with higher levels of satisfaction. Higher levels of broker usage are linked to higher satisfaction, with those SMEs who buy all or most of their policies through a broker far more likely to say they are satisfied with their broker than those who buy most of their insurance direct. Specifically, 70% of those who buy all their insurance through a broker are satisfied, compared to only 57% who buy between 50% and 99% of their insurance through a broker and 53% of those who buy between 1% and 49% through a broker (see Figure 1.4).

Figure 1.4: Broker satisfaction by % of policies bought through broker

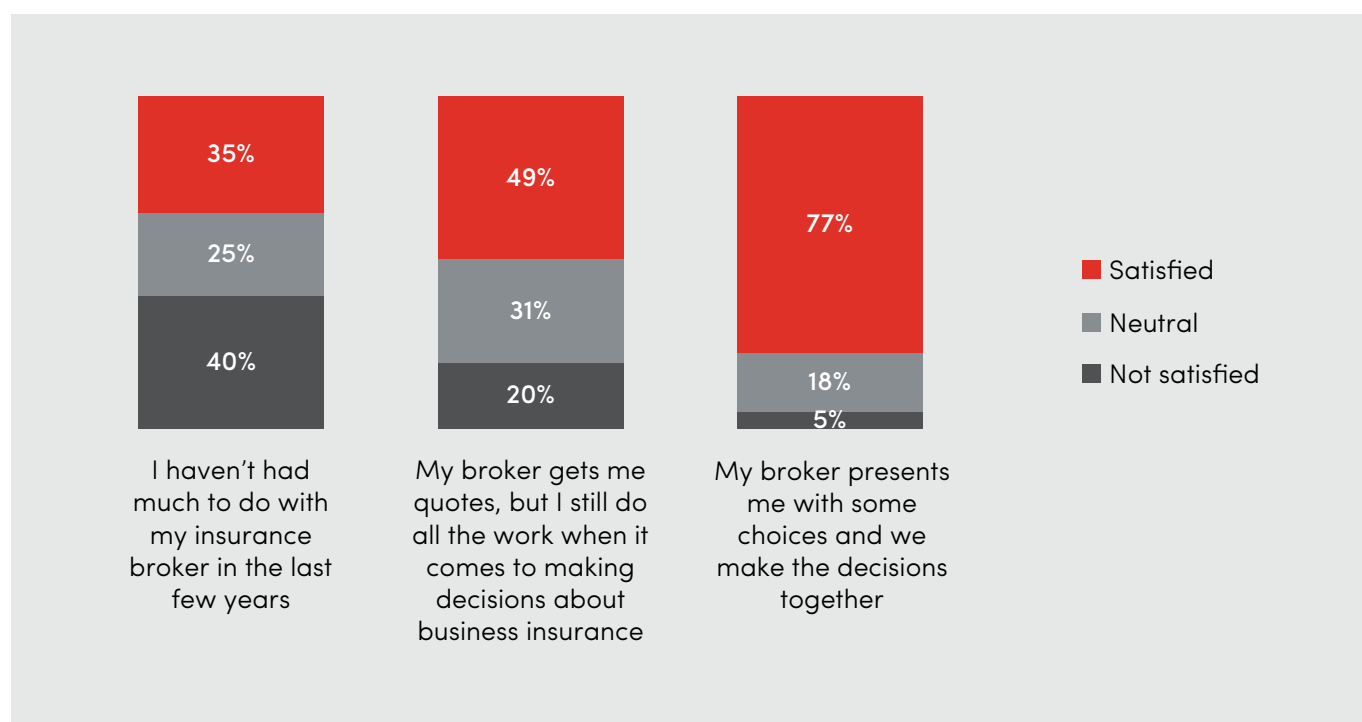




This result could be interpreted two ways: SMEs who are satisfied with their broker are more likely to use their broker for more of their insurance, or alternatively, it could demonstrate that when a broker has full oversight of all their clients' insurance needs, they are able to deliver better service and therefore improve their clients' experience. Regardless, the link between heavy broker usage and satisfaction is strong and building client satisfaction levels is a worthwhile objective for brokerages.

The quality of relationships is an important driver of satisfaction. When SMEs report having a collaborative relationship with their broker, they are far more likely to report being satisfied (77% satisfaction) compared to those who claim not to have much to do with their broker (35% satisfaction) (see Figure 1.5). This suggests that the more brokers can work in partnership with their clients, the more satisfied they are likely to be.

Figure 1.5: Broker satisfaction by relationship type

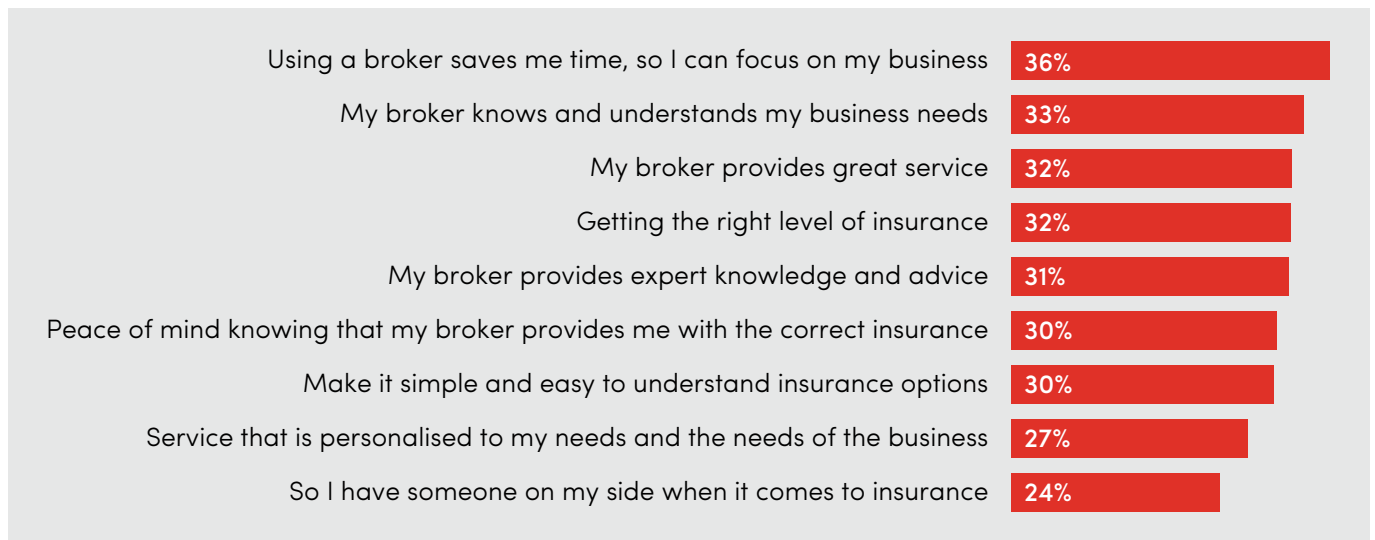


## The benefits of working with a broker or adviser

There are many compelling reasons for SMEs to work with brokers, but as SMEs find increasing options to purchase their insurance, it is vital that brokers communicate clear messages which align with SMEs needs to persuade them that brokers provide the expertise they are looking for.

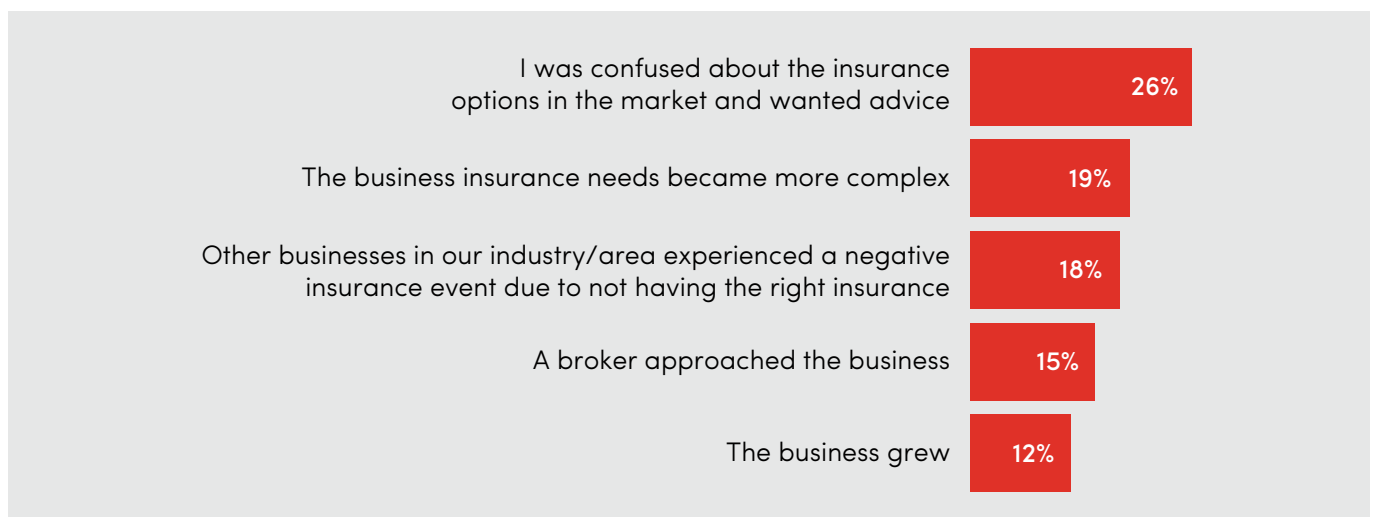
When SMEs were asked why they choose to use a broker, a range of reasons emerged. Time saving was the most mentioned reason at 36%, closely followed by having a broker who understands their needs, great service, getting the right level of insurance, access to expert knowledge and advice (see Figure 1.6).

Figure 1.6: Top 10 reasons to use current broker



What is it that prompted broker clients to start using a broker in the first place? The complexity of insurance is a powerful motivator, with 26% of SMEs who have used a broker for less than 3 years saying they first used a broker because they were confused about their insurance options and wanted advice. 19% also say that the increasing complexity of their business insurance needs was a reason to use a broker (see Figure 1.7). This highlights the opportunity for brokers to demonstrate for both new prospects and SMEs with growing businesses how they can help manage the complexity and confusing aspects of insurance.

Figure 1.7: Initial prompts to use a broker (newer users – less than 3 years)



When it comes to getting advice about business risk, insurance brokers are amongst the most trusted advisers, sitting just behind industry colleagues in first place and accountants in second place (see Figure 1.8). While it is good to see insurance brokers ranking in the Top 3 on this list, what can insurance brokers do to become the most trusted?

| Rank            |   |
|-----------------|---|
| 1 <sup>st</sup> | Colleague / other business owners / people in my industry |
| 2 <sup>nd</sup> | Accountant/bookkeeper                                     |
| 3 <sup>rd</sup> | Insurance broker  |
| 4 <sup>th</sup> | My association / industry body                            |
| 5 <sup>th</sup> | Friend / family member                                    |
| 6 <sup>th</sup> | Insurance company   |
| 7 <sup>th</sup> | Business planners / financial advisers                    |
| 8 <sup>th</sup> | Specialist rural insurer                                  |
| 9 <sup>th</sup> | Local business association / chamber of commerce etc.     |

Those who say that they trust insurance brokers do so because of the brokers' expertise, their previous experience with a broker, and because their broker proactively shared information. Specifically, 51% say they trust their broker because their expertise saves them time, 47% say they have provided useful guidance in the past and 45% say they provide them with relevant information (see Figure 1.9). Every interaction a broker has with a SME client is a chance to build perceptions of expertise, share useful and relevant information and build confidence and trust.

**Figure 1.9: Common reasons to trust brokers**



## What this means for brokers and advisers

- The more brokers collaborate with their SME clients, the more likely they are to be satisfied. When providing initial quotes and deciding on the best cover to choose, as well as at renewal, brokers could consider working more closely with clients to increase satisfaction.
- Consider each interaction an opportunity to further build perceptions of expertise. Sharing useful and relevant information and demonstrating the value of advice will create more confidence and trust with clients.
- Focussing on providing information and analysis, checking up on changes and providing advice and recommendations, especially on mitigating risk, can enable brokers to demonstrate value to clients.
- The complexity of insurance and general confusion about what insurance SMEs need for their business are reasons for them to start using a broker. To help SMEs and to demonstrate their expertise in dealing with complex insurance needs, brokers could provide SMEs with simplified explanations of relevant covers and examples of how the policy applies to their business via case studies, for example.



The Vero Risk Profiler is a tool designed for brokers and advisers by Vero's Risk Management specialists and provides a wealth of information on typical business risks including claims stats, guides, checklists and in-depth information on high-risk activity according to business category and risk type. You can find the Risk Profiler at [vero.co.nz/risk-profiler](https://vero.co.nz/risk-profiler)



## Part 2: Uncovering opportunities to attract direct buyers

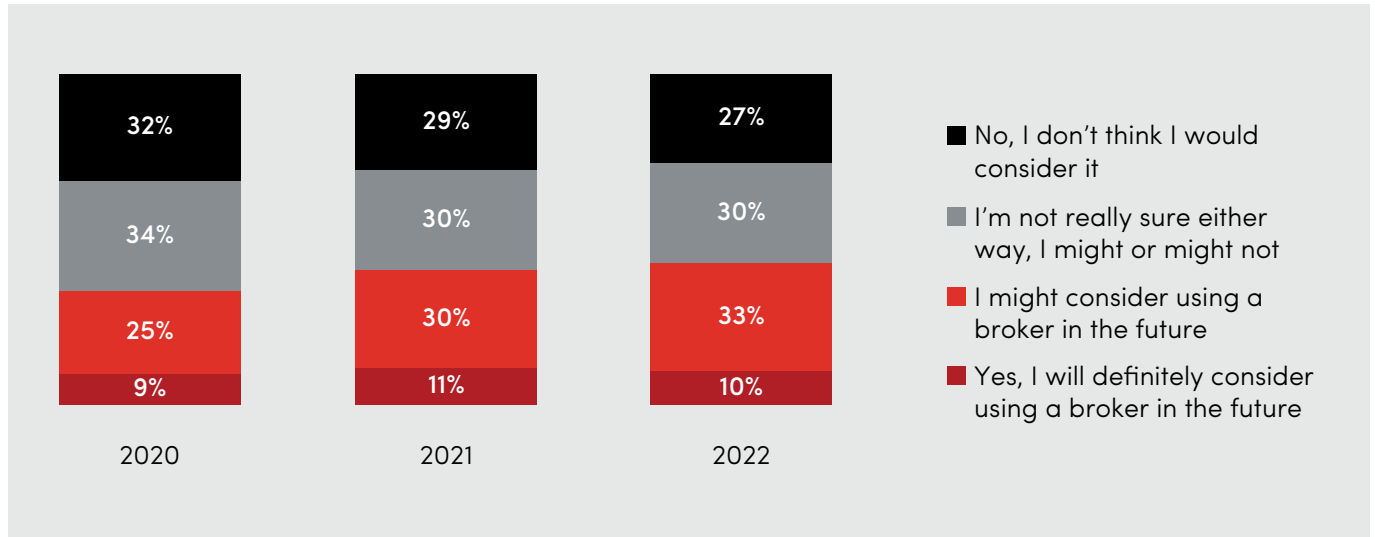




## Many direct buyers are considering using a broker or adviser

SMEs who currently buy their insurance direct represent a growth opportunity for brokers to target and attract. This year, 43% of direct buyers say that they definitely or might consider using a broker, an increase from 41% last year and 34% in 2020. Conversely, only 27% say they wouldn't consider using a broker in the future, down from 32% in 2020 (see Figure 2.1).

Figure 2.1: Trends in broker consideration (current direct buyers)



Two main groups emerge when looking at those who would consider using a broker. 48% of younger SMEs (those under 45) are considering using a broker, compared to 39% of those over 45 years of age. Larger businesses are also more likely to consider using a broker, with 67% of those with between 6 and 19 employees considering, compared to only 38% of sole traders (see Figure 2.2).

Figure 2.2: Broker consideration by business size



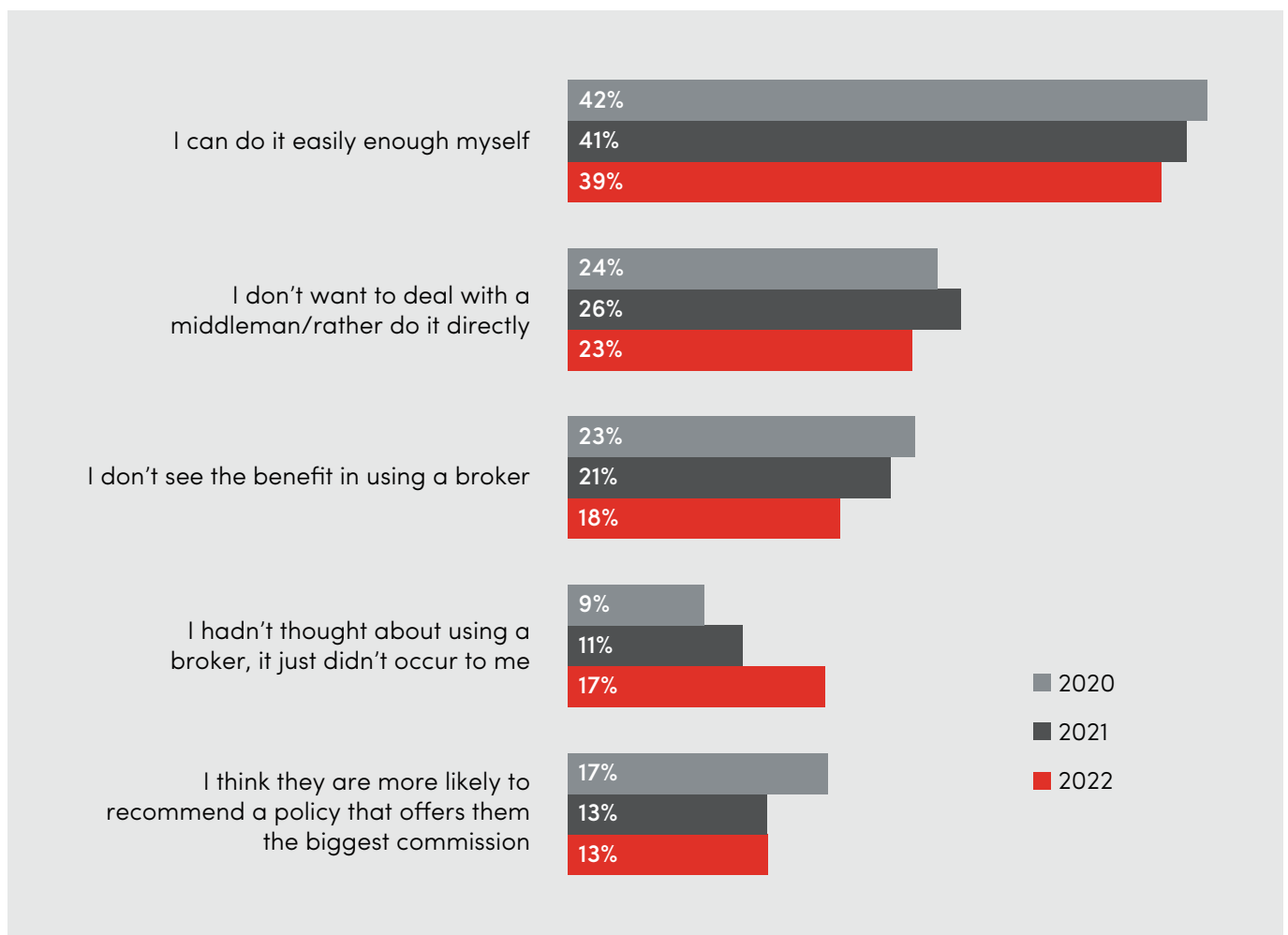


## Reasons not to use a broker or adviser

While there are a range of reasons not to use a broker, an increasing number (17%) simply hadn't thought about using a broker, up from 9% in 2020 (see Figure 2.3). This is even more prominent when we look at SMEs under 45, with 22% saying they hadn't thought of using a broker. This suggests that there is a need for brokers to promote the benefits and expertise they can offer SMEs.

Our research showed a decline in the number of SMEs who said they don't want to deal with a middleman or don't see the benefit in using a broker, with 23% this year compared to 26% in 2021. In a repeat of 2021 results, 13% of SMEs believe brokers are more likely to recommend policies based on commission. And while the results keep decreasing, the most common reason for SMEs to not use a broker is the belief that they can easily do it themselves at 39% this year compared to 42% in 2020, which may be opening themselves up to issues like underinsurance.

Figure 2.3: Trends in reasons not to use a broker



## Persuading direct buyers to use brokers and advisers

Price is a compelling reason to use a broker, with 35% saying that the prospect of getting cheaper prices from a broker would tempt them to think about broker usage (see Figure 2.4). This is unsurprising as price frequently emerges as a key motivator in many customer surveys and simple economics tells us that lower prices drive sales. However, there are other benefits brokers can leverage when talking to new prospects, such as providing guidance on insurance issues, which would be appealing to 18% of direct buyers, and explaining recommendations thoroughly, which would be appealing to 17% of direct buyers. This suggests that helping direct buyers better understand their insurance and the complexity around getting the right cover can help persuade them of the value of trying a broker.

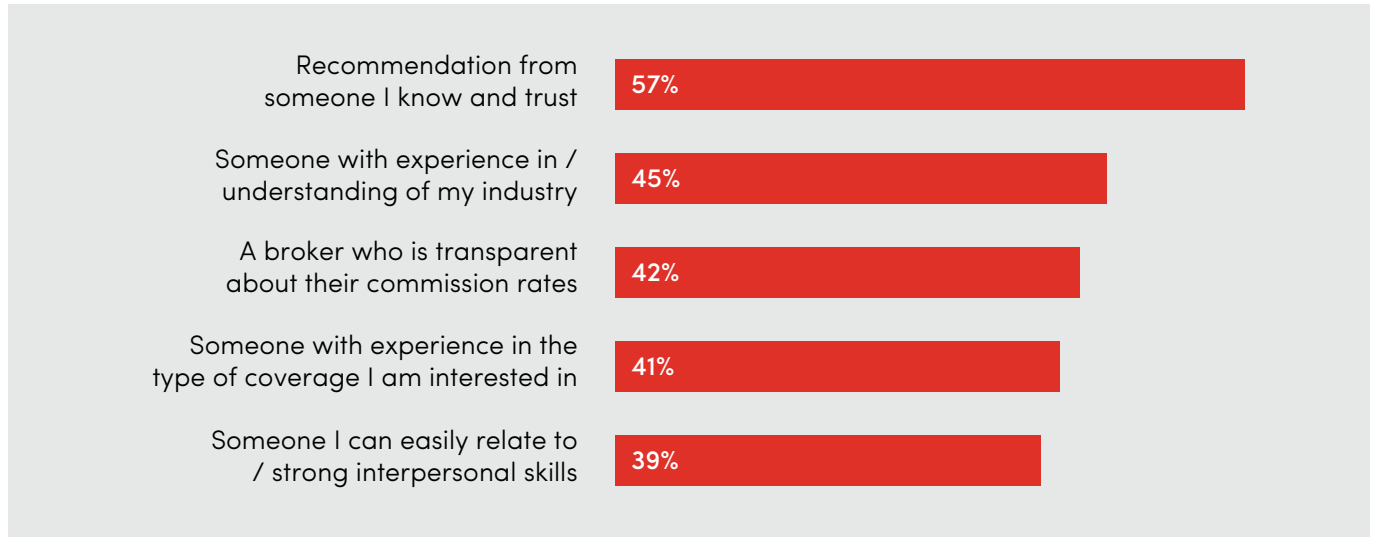
Figure 2.4: Top 5 reasons to try a broker (current direct buyers)



When looking for a broker, 57% of direct buyers would look for a broker who is recommended by someone they know and trust (see Figure 2.5). This speaks to the power of word of mouth and suggests that brokerages could look at more formal ways to encourage recommendations and referrals. A way brokers could achieve this and grow their business is by incorporating a process at renewal where they ask their clients to refer them to their friends or family if they're happy with the service they receive. This could also help uncover any reasons for dissatisfaction and enable brokers to resolve them and grow the relationship.

We also found that 45% of direct SMEs, who if they were looking for a broker, would seek brokers with relevant experience in their industry. This suggests that, if they aren't already, brokers could advertise any specific industry knowledge and expertise they have in the relevant industry trade publications and online forums, as well as create specific messaging in their social media posts, to attract those SMEs.

Figure 2.5: Top 5 characteristics looked for in a broker (current direct buyers)



How would direct buyers go about finding the right broker for them? Once again, recommendations play a critical role, with 47% saying that they would ask personal contacts such as colleagues or friends, and 30% saying they would turn to a business advisor like an accountant (see Figure 2.6). There is a clear opportunity for brokerages to attract new business by developing referral strategies to encourage satisfied clients and for relevant business advisors like accountants to provide recommendations.

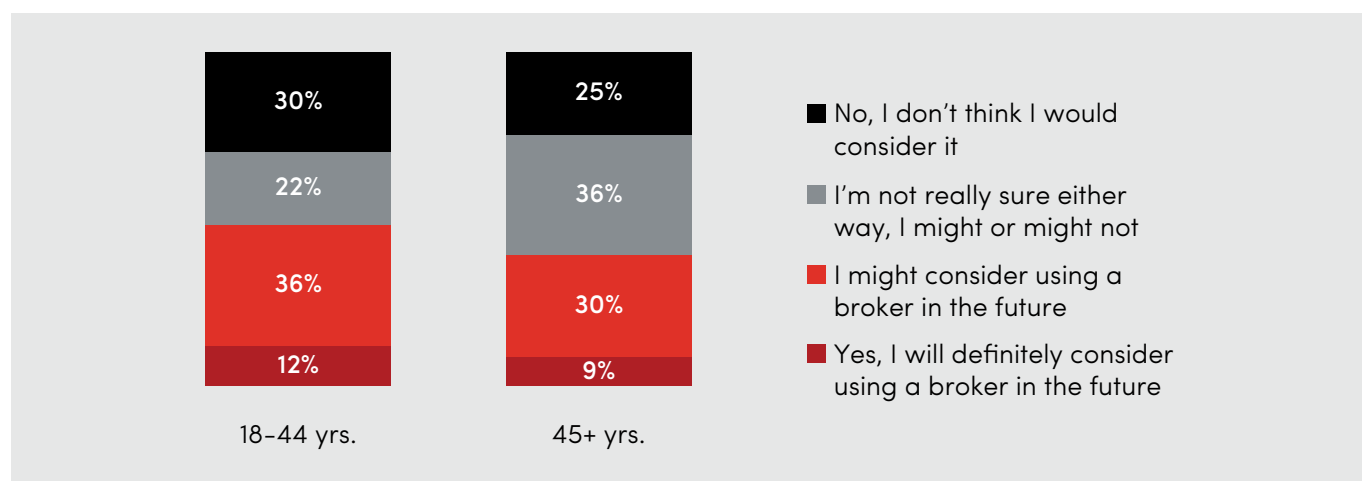
Figure 2.6: Top 5 sources to find a broker (current direct buyers)



## Younger SMEs who buy direct

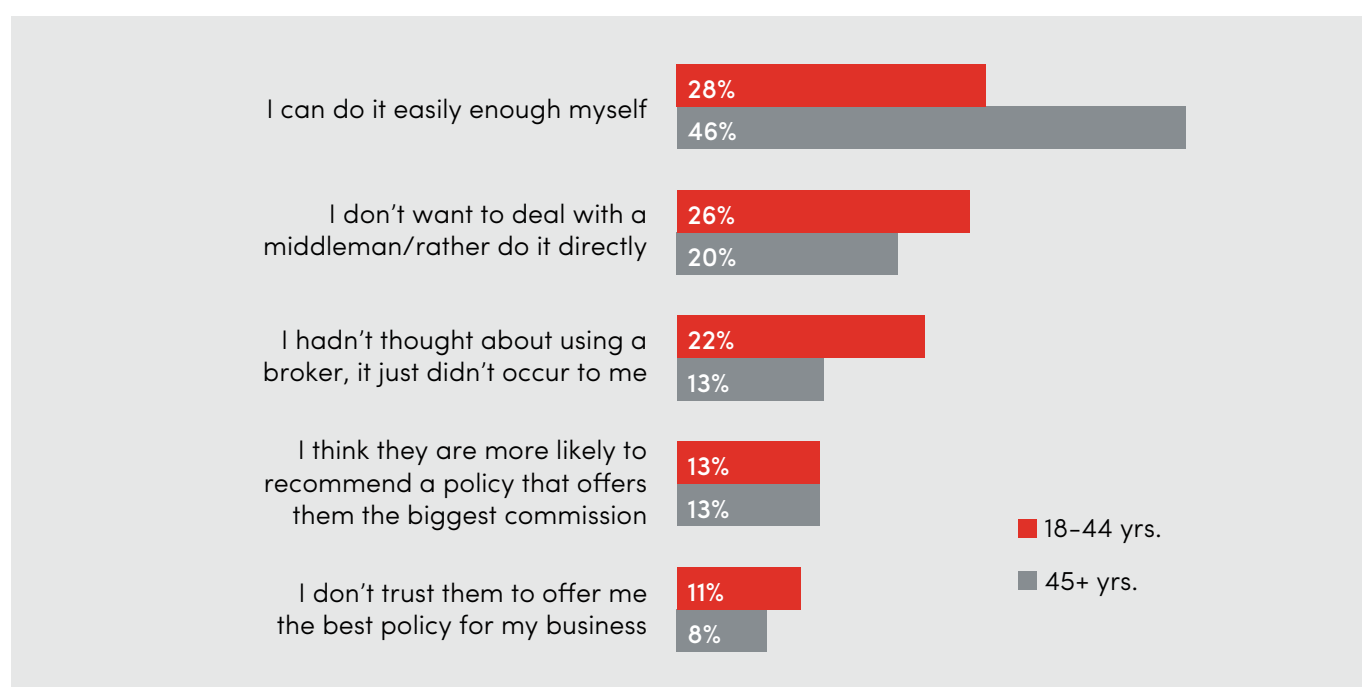
Younger SMEs (defined as those under 45 years of age) are more likely to be direct buyers and therefore represent an opportunity for brokers to cultivate the next generation of clients. Broker consideration is more polarised amongst this age group. While they are more likely to consider using a broker (48% of those under 45, compared to 39% of those over 45), they are also more likely to reject broker usage, with 30% saying they don't think they'd consider using a broker, compared to 25% of their older counterparts (see Figure 2.7).

Figure 2.7: Broker consideration by age of decision maker



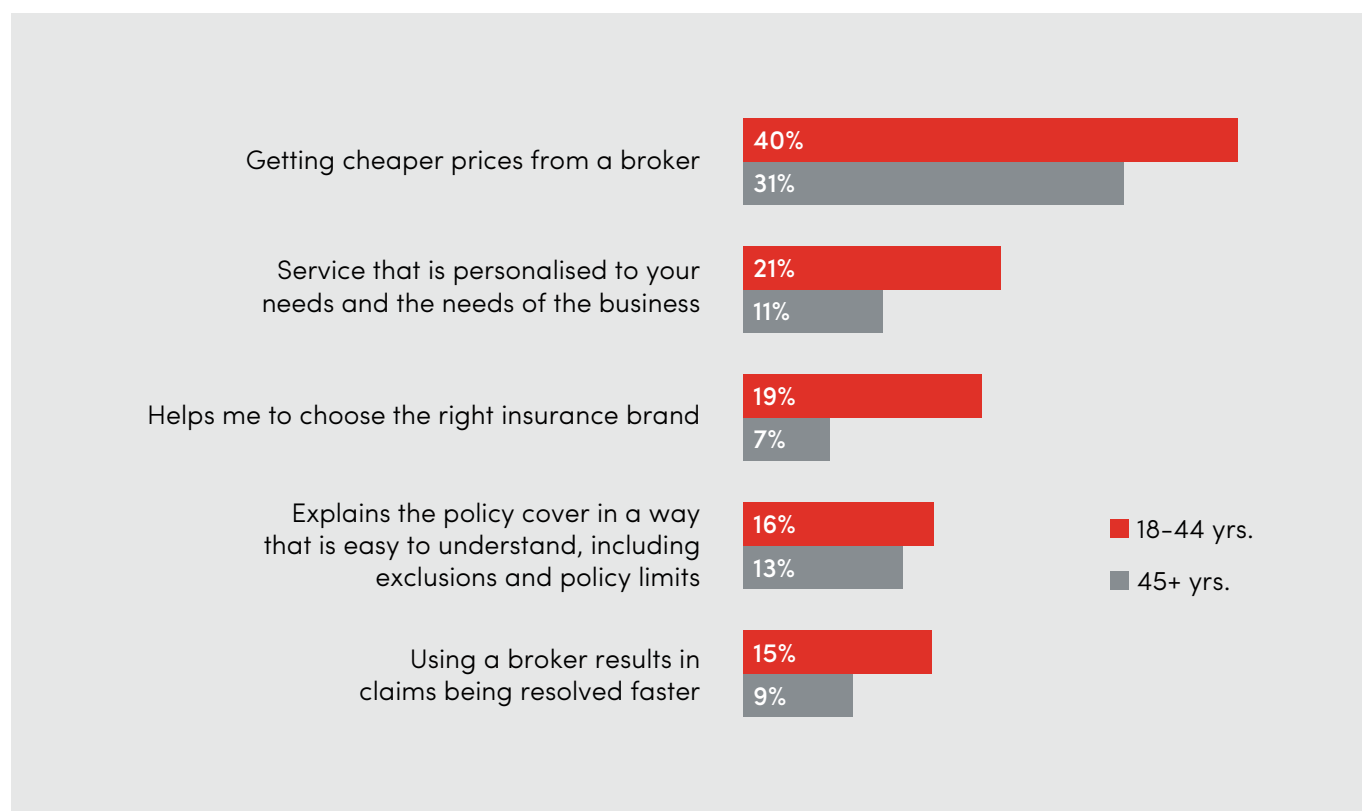
Younger SMEs are far less likely than older SMEs to say that they don't use a broker because they can do it easily enough themselves (28% vs 46%). But they're more likely than older SMEs to say that they don't use a broker because they don't want to deal with a middleman or just hadn't thought about it (see Figure 2.8). This suggests that there is a need to make the broker offer more visible and relevant to younger audiences and to help them understand the benefits and the role of brokers within the insurance journey.

Figure 2.8: Top 5 reasons younger SMEs don't currently use a broker



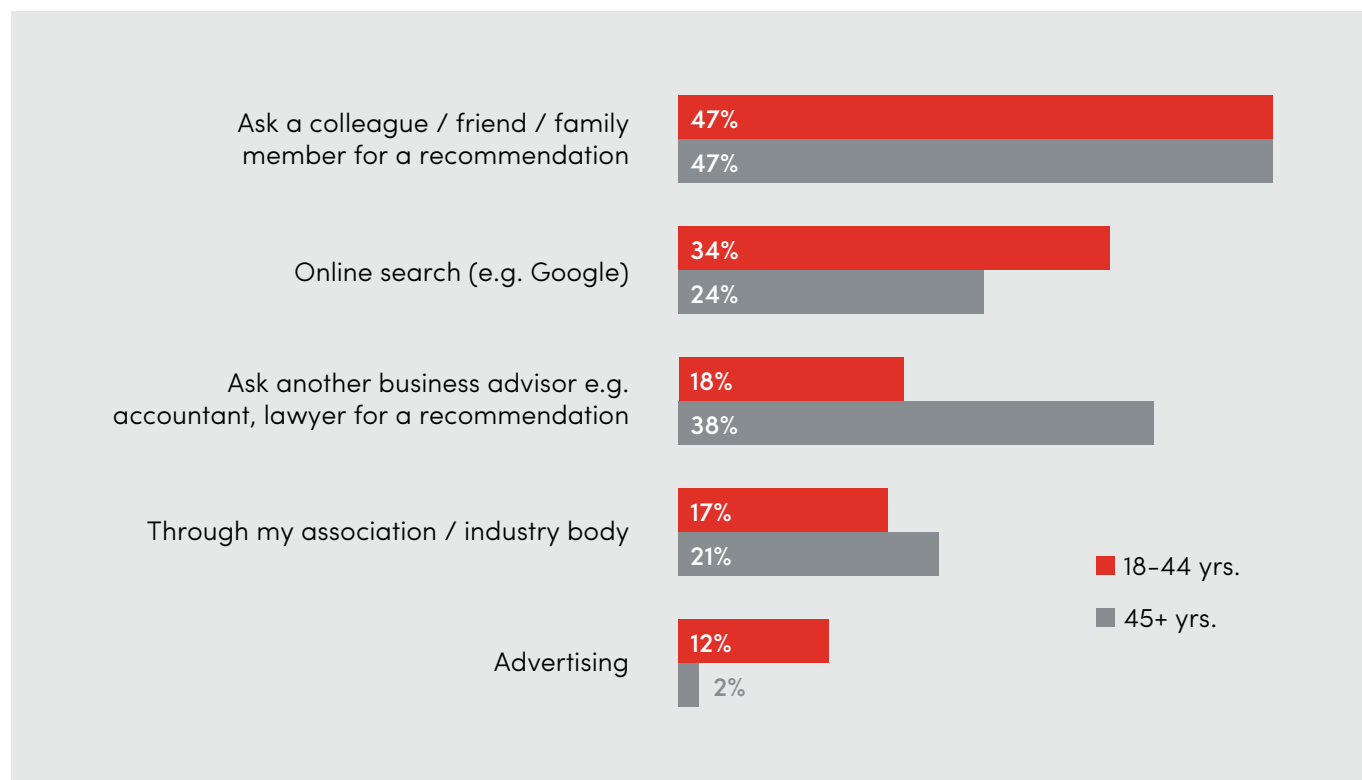
As we saw earlier, younger SMEs are more likely to consider using a broker, and there are a larger range of triggers that would make them think about using a broker. As with all SMEs, getting cheaper prices is the highest rated consideration at 40%. However, 21% of younger SMEs would be impressed by personalised service, compared to 11% of older SMEs, and 19% would be interested in a broker helping them to choose the right insurance brand, compared to only 7% of older SMEs (see Figure 2.9). A possible reason for younger SMEs looking for help on choosing the right insurance brand is that they potentially have less insurance experience in general and would rely on broker advice about brands. Explaining to younger SMEs that brokers can help them get the right options, personalised for them, could help persuade more young SMEs to start using a broker.

**Figure 2.9: Top 5 reasons younger SMEs would try a broker**



To find the right broker, younger SMEs would ask their personal contacts at the same level as older SMEs. However, online search plays a bigger role for younger SMEs, with 34% saying that they would use Google search or similar to find a broker, compared to only 24% of older SMEs. Advertising also plays a bigger role for this group, with 12% saying they would look at advertising, compared to just 2% of older groups (see Figure 2.10). This suggests that while referral strategies are relevant for all age groups, brokerages looking to attract younger SMEs could also consider online search strategies such as SEO (search engine optimisation) and targeted online advertising.

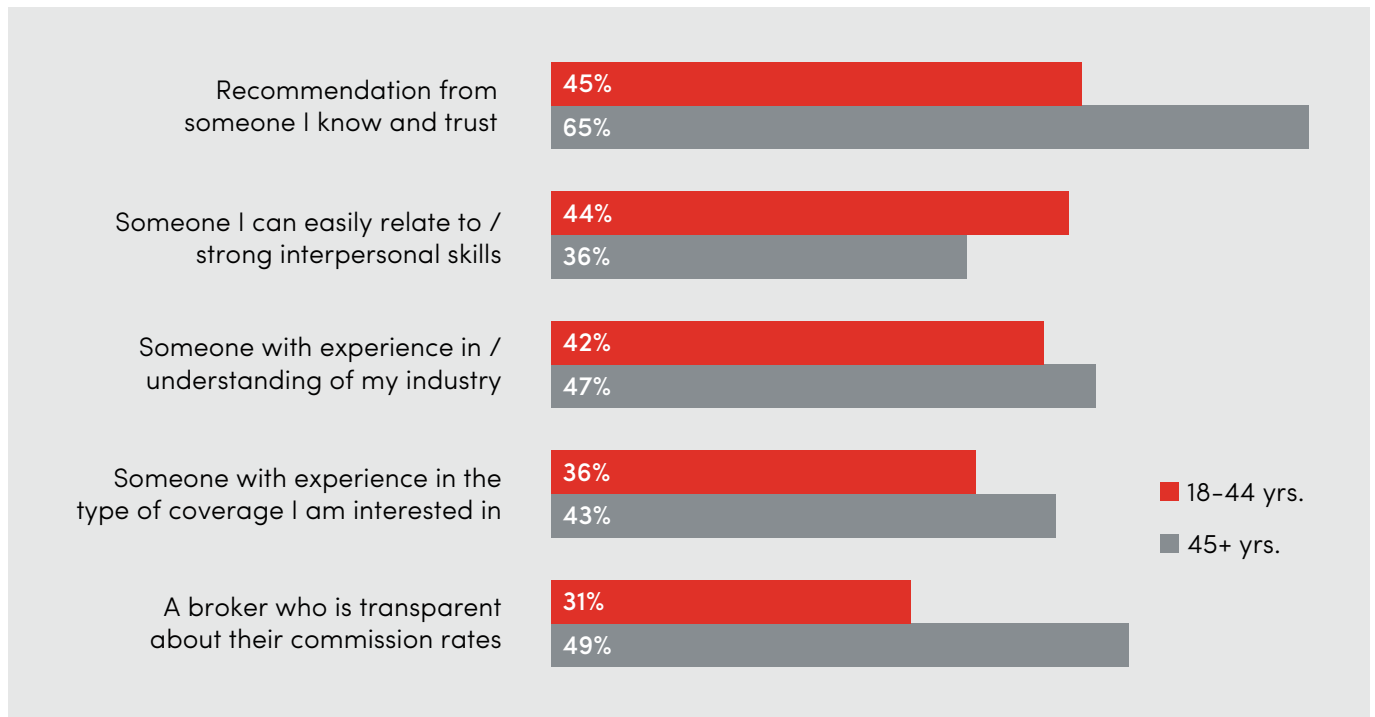
**Figure 2.10: Top 5 sources younger SMEs use to find a broker**





When choosing between brokers, younger SMEs have subtly different priorities to their older counterparts. A recommendation from someone they know and trust is still important to this group, but less so than for older SMEs, while 44% of younger SMEs are looking for someone that they can relate to, compared to 36% of older SMEs (see Figure 2.11). This suggests that brokerages should think about how to be more approachable to younger audiences, perhaps through less formal presentations and more through conversational discussions of their business and relevant requirements.

**Figure 2.11: Top 5 characteristics younger SMEs look for in a broker**



## What this means for brokers and advisers

- Many direct buyers simply hadn't thought of using a broker, suggesting a significant opportunity to raise awareness amongst SMEs about the value of using a broker.
- While price is the highest top of mind reason to try a broker, guidance, explanations and expertise would also inspire many to try a broker, which means that helping direct buyers better understand their insurance can help persuade them of the value of trying a broker.
- Word of mouth recommendations are very important to SMEs, meaning brokerages could consider developing referral strategies to encourage satisfied clients and relevant business advisors (e.g. accountants) to provide recommendations.
- To attract younger SMEs, brokerages could consider enhanced online search presence and targeted advertising, as well as helping younger audiences to better understand the benefits of using a broker through blogs and having a social media presence with regular and relevant content.



Having a referral strategy in place can help brokers and advisers grow their business but developing one from scratch may seem daunting. Vero has developed a Referral Tool that will guide brokers and advisers through the creation of a structured referral plan. It helps to outline potential referral partners and clients with actions to achieve the proposed outcome. It is available for download at [vero.co.nz/referral-tool](https://vero.co.nz/referral-tool)

# The research

**This report is based on research involving 638 business owners and decision makers from around New Zealand. The research was independently\* conducted using an online quantitative survey.**

The survey was conducted during December 2021 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)

Disclaimer: This Vero SME Insurance Index Report ('Report') has been prepared for general information purposes only. Vero Insurance New Zealand Limited ('Vero') and its related companies do not assume or accept any liability whatsoever arising out of or relating to this Report or the information it contains. While all care has been taken, Vero and its related companies 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 from Vero; it is based on independent third-party 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.

# vero

For more information visit [vero.co.nz/sme-index](https://vero.co.nz/sme-index) or contact your Business Development Manager.