



Understanding

Insights into small business drive new opportunities

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Introduction

We are supporting brokers and advisers in growing their expertise so they can address the diverse, intricate and substantial insurance requirements of businesses in New Zealand.

Welcome to the 2023 Vero New Zealand SME Insurance Index.

As businesses across New Zealand navigate challenging economic times, it is crucial for them to safeguard against financial risks. Insurance brokers and advisers play a pivotal role in enhancing the resilience of New Zealand small and medium-sized enterprises (SMEs). With this in mind, we are pleased to present the findings of the 7th edition of the Vero New Zealand SME Insurance Index.

This report sheds light on the influence of the economy on insurance behaviours and attitudes, providing valuable information on how clients perceive and manage risks. It offers specific insights into decision making processes during insurance policy renewals. Additionally, this year's edition

includes research on natural disasters, examining the evolving attitudes among New Zealand businesses and sharing experiences from those directly impacted. It also offers insights into shifting SME perspectives on climate change.

The aim of this report is to equip brokers and advisers with insights into the perspectives and actions of business decision makers regarding their insurance. By acquiring a deeper understanding of clients, brokers and advisers can be supported in effectively addressing the diverse, intricate and substantial insurance requirements of businesses in New Zealand.

We hope that these insights will prove beneficial as brokers and advisers plan for the coming year.

What do we mean by natural disasters?

The Vero SME Insurance Index is focused on sharing the attitudes and behaviours of small businesses. In this report, when we refer to natural disasters, we are utilising a broader understanding of the term which is based on a general definition of natural disasters as being “a natural event such as a storm, flood or earthquake that causes significant damage or loss of life”. Of course, these events are treated differently in an insurance context, and the definition used in this report is not in line with insurance policies which have a narrower definition.

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The findings

The 2023 Vero New Zealand SME Insurance Index explores SME decision factors and potential broker and adviser strategies for growth, focusing on:

- **Impact of economic concerns on insurance behaviour**
- **Helping businesses make better risk decisions**
- **How brokers play a vital role at renewal**
- **Understanding attitudes towards natural disasters**
- **Insurance experiences with natural disasters**
- **Shifts in attitudes towards climate change**

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 businesses and this report explores these findings:

CHAPTER 1: IMPACT OF ECONOMIC CONCERNS ON INSURANCE BEHAVIOUR

Key learning:

The economic downturn poses significant concerns for many businesses in New Zealand, with almost all reporting varying degrees of impact due to inflation. Price sensitivity is particularly heightened this year.

Implication for brokers and advisers:

Brokers should consider proactively communicating with their clients and assessing how they are navigating the challenges posed by escalating costs. By offering personalised advice and support, brokers can assist businesses in making informed insurance decisions that align with their specific needs and financial circumstances.

Key learning:

Price-sensitive businesses demonstrate a higher tendency to make insurance changes that potentially increase their business risks.

Implication for brokers and advisers:

Even if SMEs need to make reductions to their insurance coverage, brokers should help clients ensure that these decisions are well-informed and conscious, taking into account the potential impact on their risk exposure. By providing comprehensive information and guidance, brokers can help clients make informed choices that strike a balance between cost considerations and prudent risk management.

CHAPTER 2: HELPING BUSINESSES MAKE BETTER RISK DECISIONS

Key learning:

In the past year, nearly half of all businesses have made changes to their operations, with a significant portion focusing on upgrading their equipment. However, it is concerning that over 1 in 3 businesses failed to consider these changes when renewing their insurance.

Implication for brokers and advisers:

To address this, brokers should discuss business changes, such as equipment upgrades, with their clients at renewal time. Moreover, it is important for brokers to educate clients on core elements that can impact insurance and business risks. Through enhanced understanding, businesses can make more informed decisions about their insurance coverage, reducing the likelihood of inadequate protection.

Key learning:

The majority of businesses believe that they are mostly covered for the risks their business faces. However, among those who are only partially covered, there is a concerning trend: many of them either don't think that anything bad can happen or haven't given much thought to what they would do if they experienced a negative incident for which they are not covered.

Implication for brokers and advisers:

Encouraging clients to think critically about potential incidents and their consequences, even if they currently believe they are mostly covered, can help foster a proactive mindset. By discussing risk management and contingency planning, brokers can empower businesses to make more informed decisions and take appropriate measures to mitigate potential risks.

CHAPTER 3: HOW BROKERS PLAY A VITAL ROLE AT RENEWAL

Key learning:

Brokers' involvement in the renewal process leads to improved outcomes, as clients become more thorough in considering various factors and gain greater confidence in their insurance coverage.

Implication for brokers and advisers:

Recognise the significance of renewals as critical moments in the insurance cycle, where brokers can showcase their expertise and demonstrate the value they provide to clients. Utilise this opportunity to engage with clients, discuss their evolving needs, and tailor insurance solutions that address their specific risks and concerns.

Key learning:

Clients whose broker was involved in their last renewal are more likely to report higher satisfaction. Additionally, clients who carefully consider important factors when reviewing their insurance coverage tend to express greater satisfaction with their broker. Notably, clients value brokers who actively monitor and stay updated on any changes within their business that could affect their insurance policies.

Implication for brokers and advisers:

Brokers can take a proactive approach by reaching out to clients during the renewal process. By engaging in open and collaborative discussions, brokers can better understand their clients' evolving insurance needs and address any changes effectively. This proactive involvement will contribute to higher levels of client satisfaction and strengthen the broker-client relationship.

Key learning:

Clients whose broker was involved in the renewal process are more likely to have viable plans in place, even if they acknowledge that they are not fully covered for their insurable risks. This indicates that the involvement of brokers leads to more informed decision making and better risk preparedness amongst clients.

Implication for brokers and advisers:

Brokers should emphasise the value they provide in enabling clients to make conscious decisions and enhance their risk preparedness. By highlighting the benefits of their involvement, brokers can instil confidence in their clients and emphasise the importance of their expertise in navigating insurance coverage and risk management.

CHAPTER 4: UNDERSTANDING ATTITUDES TOWARDS NATURAL DISASTERS

Key learning:

The concern about natural disasters among businesses is on the rise, with a significant portion expressing increased worry compared to 2021. Additionally, a third of businesses perceive themselves to be at moderate to high risk of being affected by natural disasters.

Implication for brokers and advisers:

It is important for brokers to provide support and assistance to clients in navigating the risks posed by natural disasters. This can be achieved through proactive risk management strategies, offering comprehensive insurance solutions that address specific concerns related to natural disasters, and providing guidance to help businesses mitigate their exposure to such risks.

Key learning:

Two-thirds of clients have not had any discussions with their brokers regarding natural disasters. Even among those who perceive their business risks from natural disasters as high, only half have engaged in conversations with their brokers.

Implication for brokers and advisers:

There is significant untapped potential for brokers to actively engage their clients in discussions about natural disaster risks. It is important for brokers to initiate these conversations, even if it is simply to inform clients about the available coverage options and help them understand what specific natural disaster risks they are covered for and what risks they are not covered for. It is important not to assume prior knowledge in this area and to provide clear and comprehensive information to clients regarding their insurance coverage for natural disasters.

CHAPTER 5: INSURANCE EXPERIENCES WITH NATURAL DISASTERS

Key learning:

Almost 20% of SMEs report business impacts from natural disasters within the last 3 years, with floods being the most prevalent type of disaster.

Implication for brokers and advisers:

While floods will be top of mind for most clients, it is important for brokers to educate their clients on the full suite of natural disasters as climate cycles bring different risks.

Key learning:

Clients are more likely to be dissatisfied with their natural disaster insurance experience if their brokers have not discussed the risks and impacts prior to an event.

Implication for brokers and advisers:

Brokers should consider the need to have thorough discussions with their clients about natural disaster risks. This includes clients operating home-based businesses or relatively small businesses, as neglecting to discuss their level of coverage or risk often leads to unrealistic expectations regarding natural disaster coverage even if their likelihood of risk is potentially smaller.

Key learning:

The most common reason for dissatisfaction is the realisation that businesses are unable to make claims for damages under their existing policies. Also, those who did not take key elements into account during their latest insurance renewal are more likely to be dissatisfied with their natural disaster insurance experience.

Implication for brokers and advisers:

There's a need for brokers to educate clients about the scope of coverage and the specific items that can be claimed under natural disaster policies, to help manage expectations and ensure businesses are aware of what they can and cannot claim. Brokers should also consider the need to educate clients on the key elements they should consider during insurance policy renewals. By setting accurate expectations, brokers can reduce dissatisfaction at the time of making a claim.

CHAPTER 6: SHIFTS IN ATTITUDES TOWARDS CLIMATE CHANGE

Key learning:

One in five businesses express growing concern about the impacts of climate change. It is important to note that this concern is not limited to rural businesses; key audiences such as direct buyers, large businesses, and those operating in farm-based or temporary sites also exhibit heightened concerns about climate change.

Implication for brokers and advisers:

Brokers should actively engage with their clients and initiate discussions about climate change-related insurance issues. It is crucial to ensure that clients consider relevant policies, proactive risk management, and mitigation strategies in response to climate change.


Key learning:

The number of businesses that feel prepared to respond to climate change has remained unchanged since 2020. This represents a significant area of opportunity for brokers to help their clients feel more prepared.

Implication for brokers and advisers:

Brokers should focus on raising awareness among their clients about the potential challenges and risks associated with climate change. This can involve providing information, suggesting proactive measures, and offering insurance options that address climate change-related risks. By taking these actions, brokers can help clients feel more prepared and equipped to navigate the changing landscape influenced by climate change.



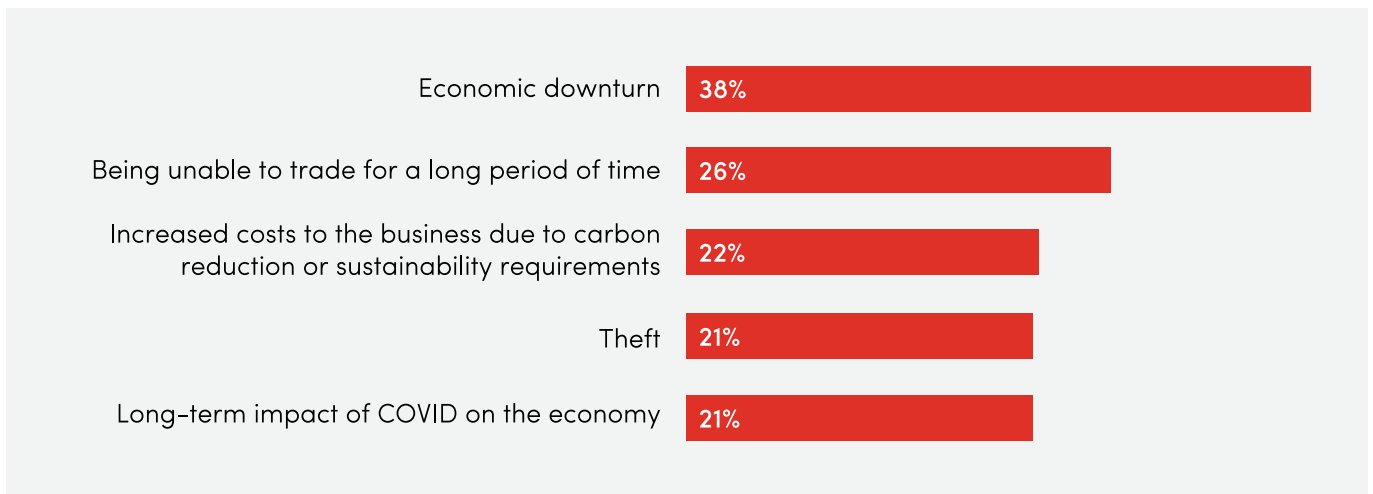
CHAPTER 1: IMPACT OF ECONOMIC CONCERNS ON INSURANCE BEHAVIOUR

What challenges are SMEs facing?

By understanding what economic factors influence clients' decision making processes, brokers can customise their strategies and offerings to align with clients' needs. This understanding empowers brokers to effectively address concerns, anticipate behavioural patterns, and make informed decisions to assist businesses in optimising their insurance choices.

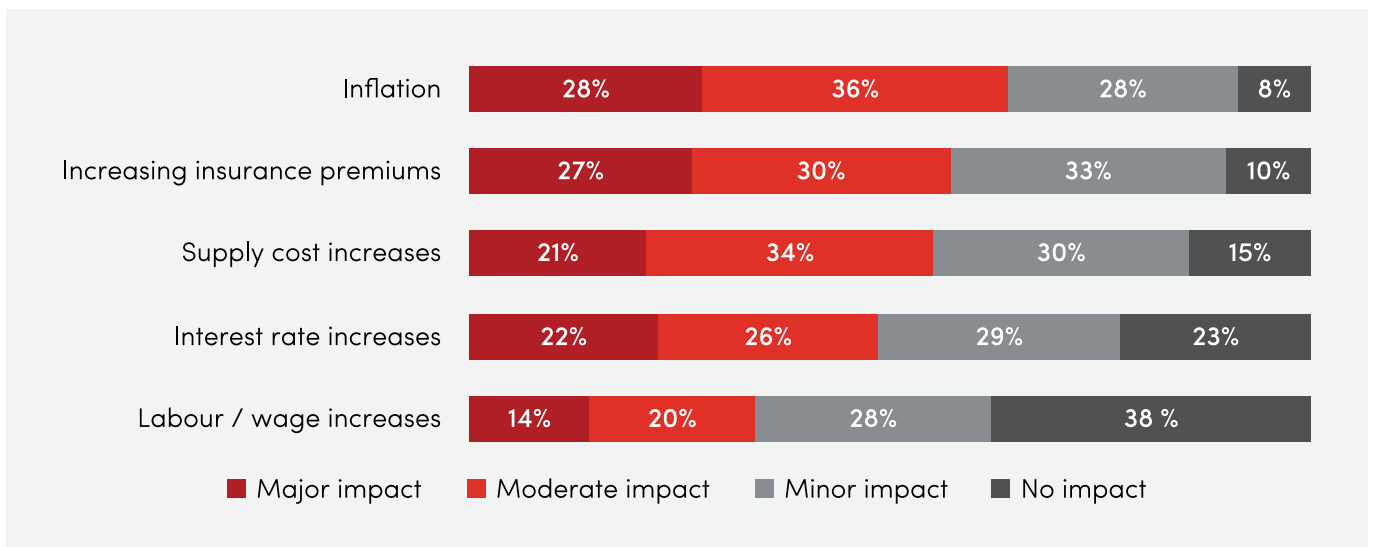
The state of the economy remains a major concern for SMEs. According to our data, the most prevalent concern is economic downturn (refer to Figure 1.1). Given this, it is anticipated that clients will be even more apprehensive about the state of the economy and its potential impact on their businesses.

Figure 1.1: Top 5 concerns for SMEs



This year, 64% of SMEs claim to face moderate to major impacts from inflation. In addition, 57% of SMEs are affected by increasing insurance premiums, while 55% are impacted by rising supply costs (refer to Figure 1.2). These findings suggest that brokers can add value to clients by engaging in informative conversations about insurance increases.

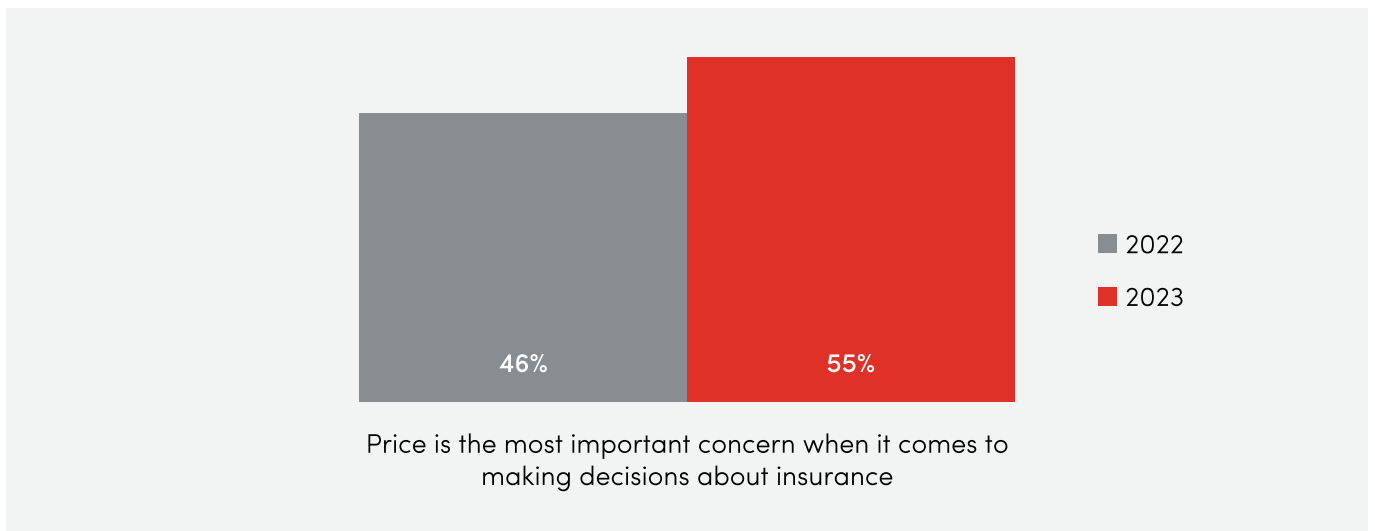
Figure 1.2: Top 5 economic impacts



Given the prevalent concerns surrounding the economy, it is unsurprising that more SMEs are prioritizing price as the most important consideration when making insurance decisions (refer to Figure 1.3). This trend holds true across broker clients, direct buyers, and businesses of varying sizes.

While it may be tempting for clients to opt for the cheapest option, brokers can help clients make effective insurance decisions by educating them about the risks associated with insufficient coverage. By highlighting the importance of comprehensive insurance, brokers can help SMEs understand the long-term benefits of protecting their businesses adequately. Ultimately, brokers play a vital role in guiding SMEs towards insurance solutions that strike a balance between affordability and comprehensive coverage, thereby enabling businesses to navigate economic uncertainties with confidence.

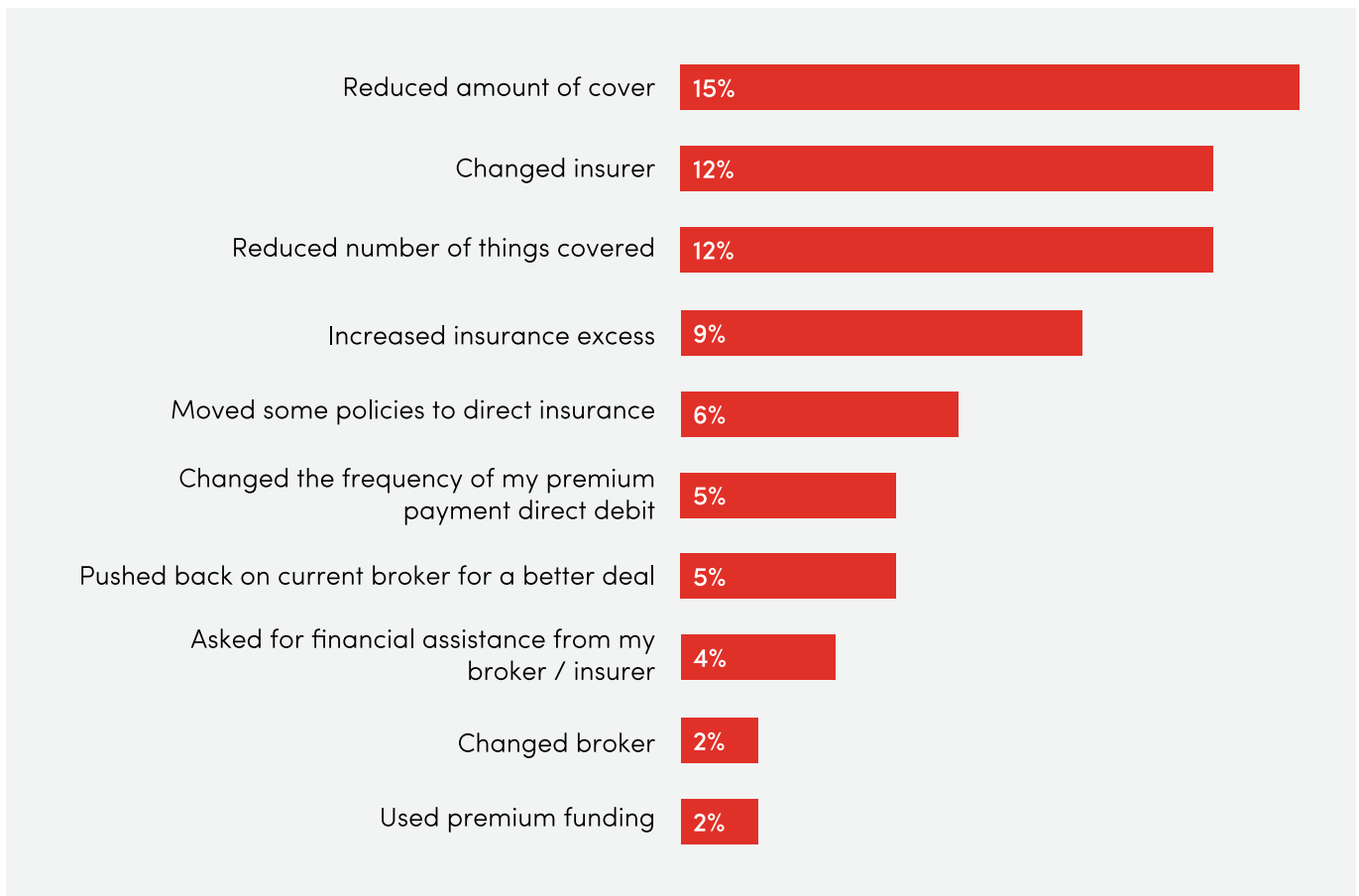
Figure 1.3: Attitudes towards insurance price



How is the economy affecting insurance decision making?

Approximately 41% of businesses report making changes to their business insurance in the last year, with a significant number of these changes involving reductions in coverage. Most commonly, 15% have reported reducing their insurance coverage (refer to Figure 1.4). To ensure that any reductions are made in an informed manner and minimise risk exposure, brokers should consider providing comprehensive information about the potential consequences and risks associated with reducing coverage, conducting risk assessments tailored to each business, suggesting alternative risk management strategies, and emphasising the importance of regular policy reviews. By implementing these measures, brokers can assist businesses make informed decisions about their insurance coverage, even when reducing it.

Figure 1.4: Insurance changes made in the last year



When businesses prioritise price as the most important factor in their insurance decision making process, they are even more inclined to report making changes to their insurance coverage. Specifically, 53% of price-sensitive businesses have reported making such changes, as opposed to the overall average of 41% (refer to Figure 1.5).

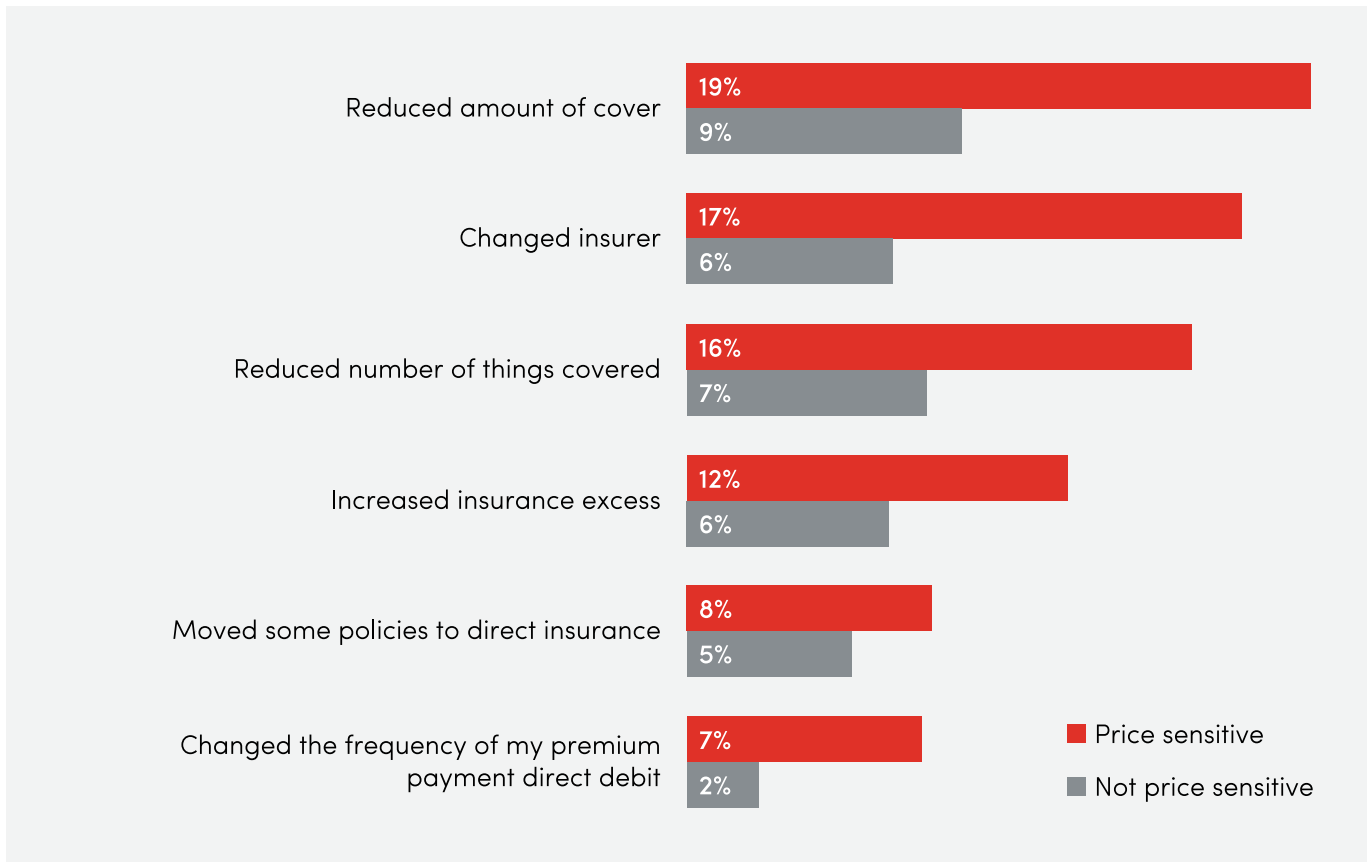
Figure 1.5: Incidence of insurance changes made comparing total to those who are price sensitive



When businesses prioritise price as their primary concern in insurance decision making, several common types of changes are observed. These changes often entail opting for lower coverage limits, exploring alternative insurance providers, or reducing the scope of coverage for certain items (refer to Figure 1.6). Price sensitivity increases the likelihood of businesses making insurance changes aimed at reducing their premium payments.

This makes it even more important for brokers to reinforce the message regarding the risks of underinsurance and the importance of obtaining the right insurance coverage, particularly for price-sensitive businesses. Brokers can also consider offering alternatives to reducing insurance, such as premium funding, to assist clients during challenging periods. By emphasising the value of appropriate insurance coverage and providing viable payment options, brokers can help guide price-sensitive businesses towards making informed decisions that balance cost considerations with adequate risk protection.

Figure 1.6: Insurance changes made in the last year by price sensitivity



What this means for brokers and advisers

Key learning:

- The economic downturn poses significant concerns for many businesses in New Zealand, with almost all reporting varying degrees of impact due to inflation. Price sensitivity is particularly heightened this year.

Implication for brokers and advisers:

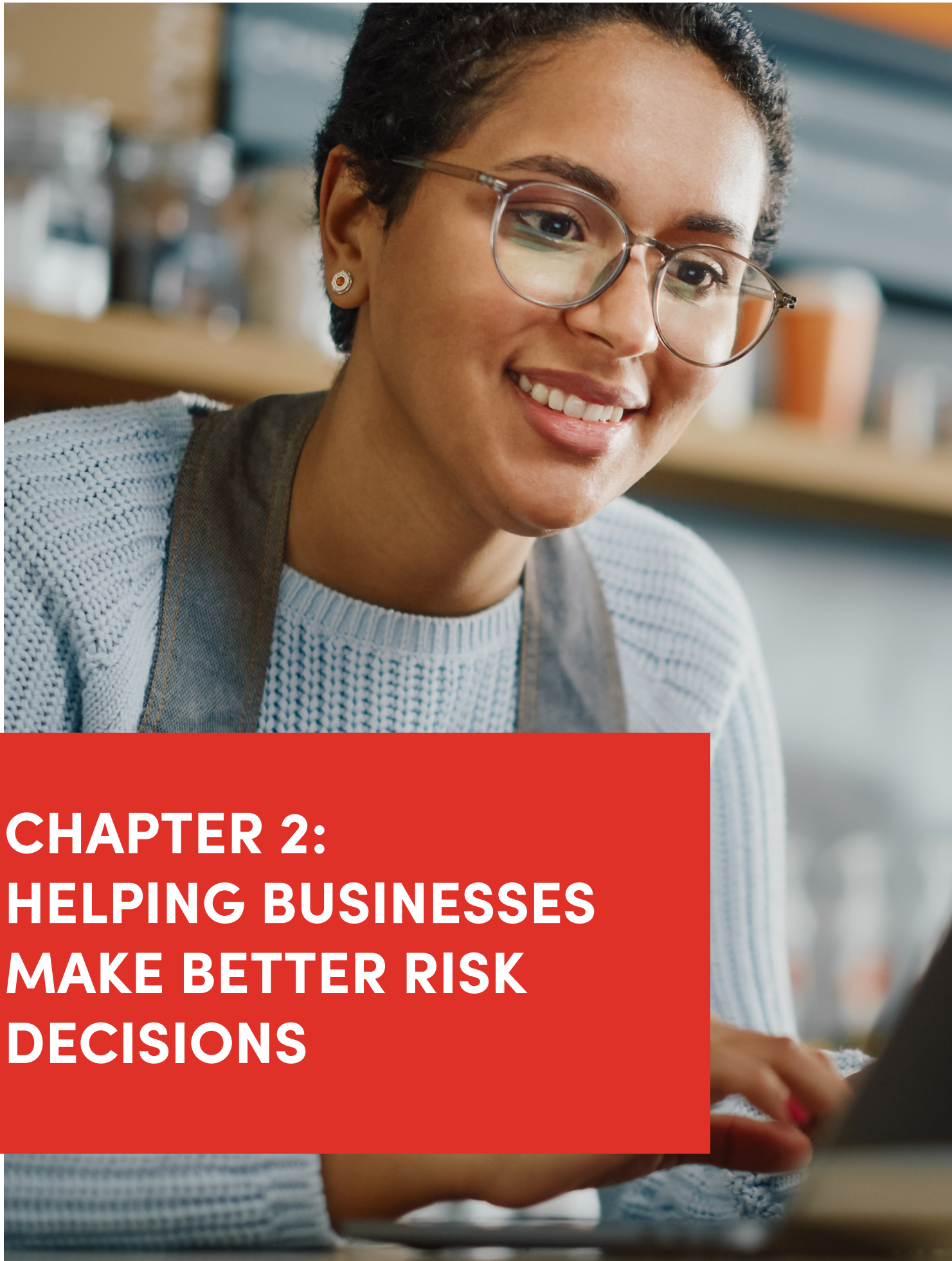
- Brokers should consider proactively communicating with their clients and assessing how they are navigating the challenges posed by escalating costs. By offering personalised advice and support, brokers can assist businesses in making informed insurance decisions that align with their specific needs and financial circumstances.

Key learning:

- Price-sensitive businesses demonstrate a higher tendency to make insurance changes that potentially increase their business risks.

Implication for brokers and advisers:

- Even if SMEs need to make reductions to their insurance coverage, brokers should help clients ensure that these decisions are well-informed and conscious, taking into account the potential impact on their risk exposure. By providing comprehensive information and guidance, brokers can help clients make informed choices that strike a balance between cost considerations and prudent risk management.

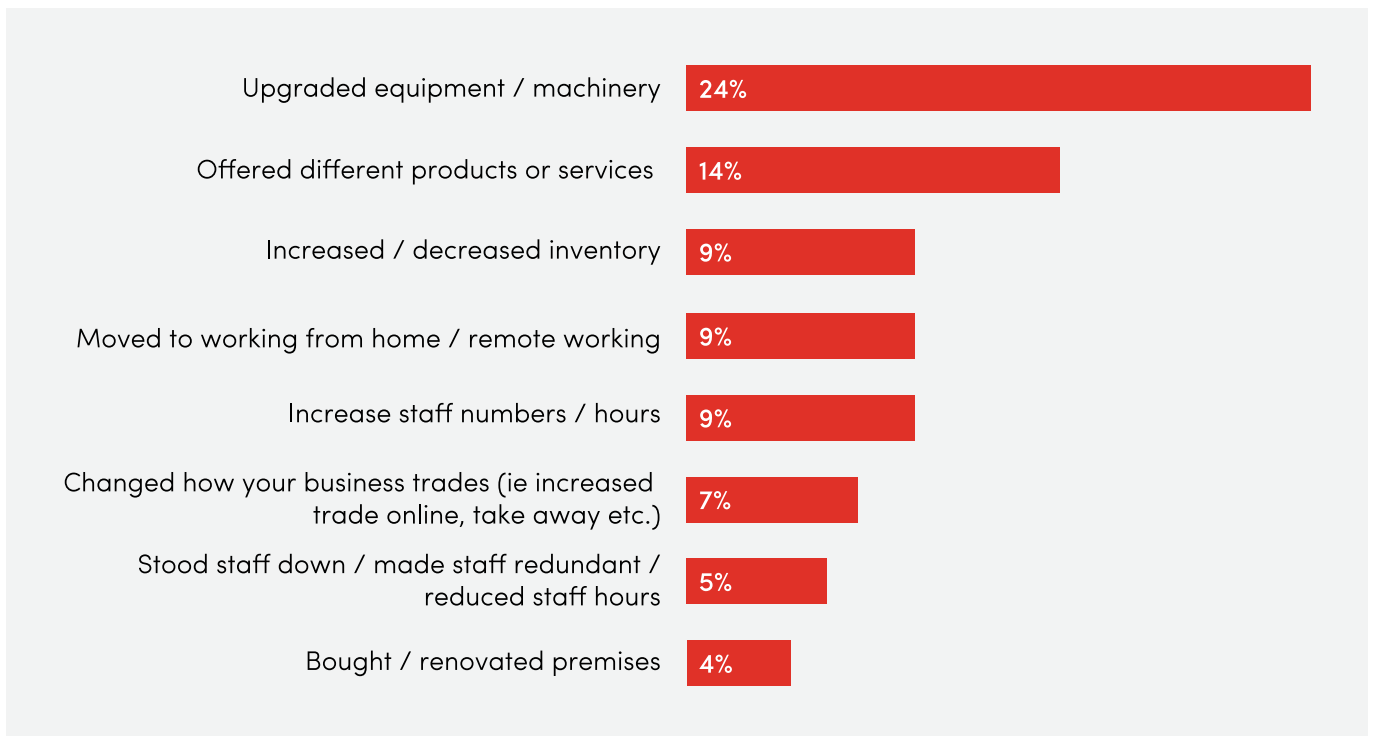


CHAPTER 2: HELPING BUSINESSES MAKE BETTER RISK DECISIONS

Are SMEs reflecting business changes in their insurance cover?

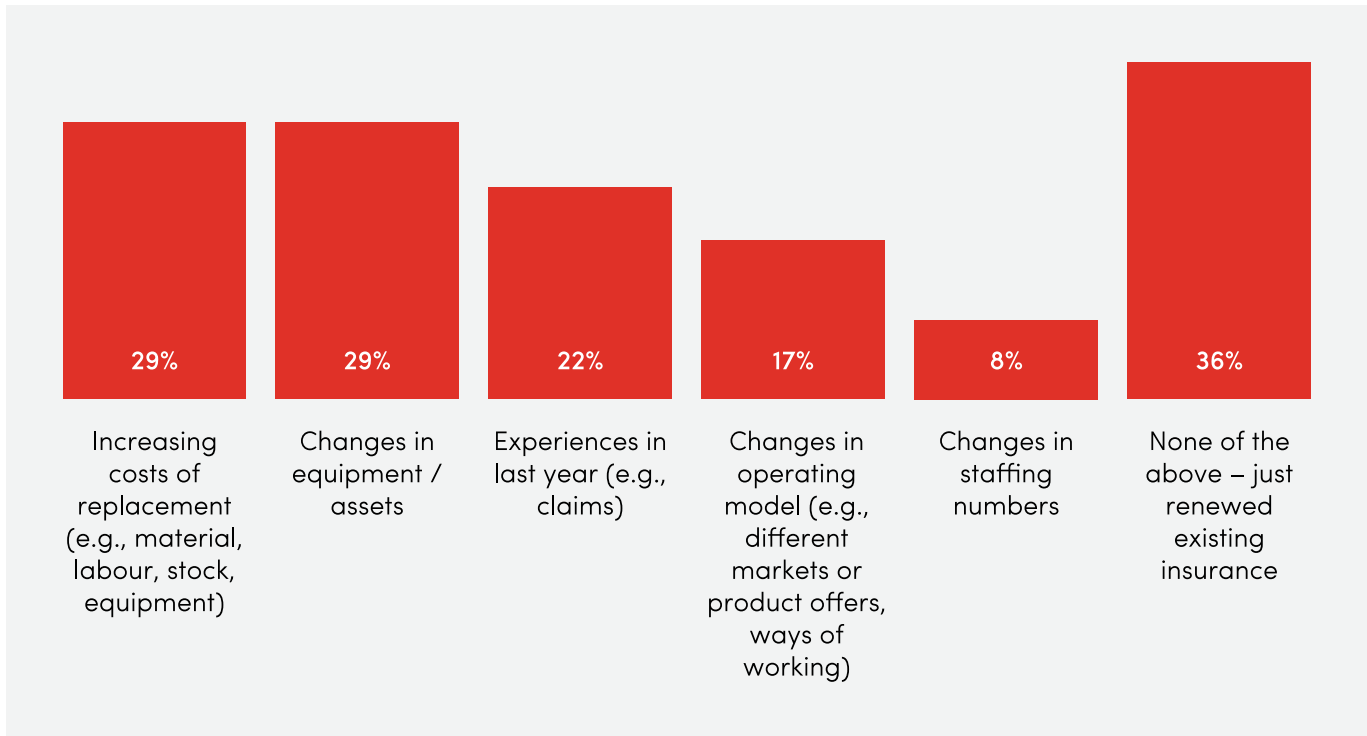
Despite concerns about the economy, a significant portion of SMEs, nearly half, have made changes to their businesses in the past year that will have implications for their insurance. Notably, 1 in 4 SMEs have upgraded their equipment or machinery, demonstrating the relevance of conversations about equipment and machinery insurance for many clients. Additionally, 14% of SMEs have expanded their offerings to include different products or services, while 9% have made changes to their inventory levels (refer to Figure 2.1). These findings highlight the importance of addressing these specific areas of insurance coverage to ensure adequate protection for businesses undergoing such changes.

Figure 2.1: Business changes made in the last year



During the renewal process, it is crucial for businesses to review any changes that have occurred in their operations. However, over 1 in 3 businesses did not consider any changes when renewing their insurance (refer to Figure 2.2). This highlights the need for brokers to play an educational role in helping their clients understand the elements that can impact their insurance coverage and business risks. Brokers should actively engage with their clients during the renewal period to ensure that all relevant changes are taken into account. This includes discussing any modifications in business operations, such as changes in equipment or machinery, new products or services, or any other significant updates. It could also include informing clients about the need to review coverage amounts due to increasing replacement costs. By providing this guidance, brokers can assist their clients to make informed decisions that align their insurance coverage with evolving business needs and risks.

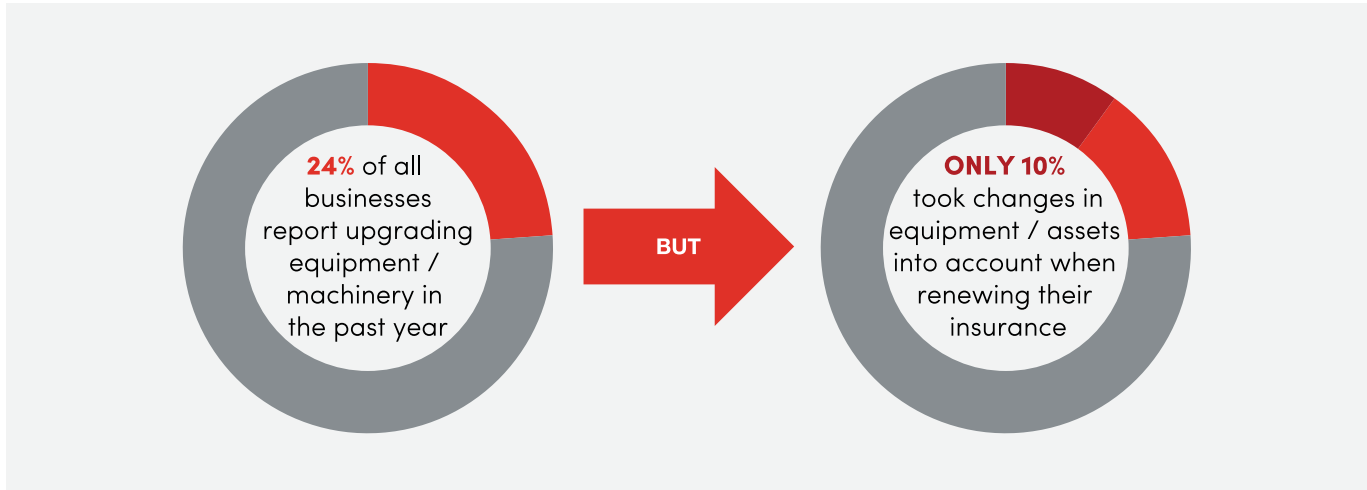
Figure 2.2: Elements taken into account when renewing insurance



To investigate whether SMEs who made changes to their businesses have taken key elements into account during renewal, we examined a couple of the most commonly reported business changes in detail.

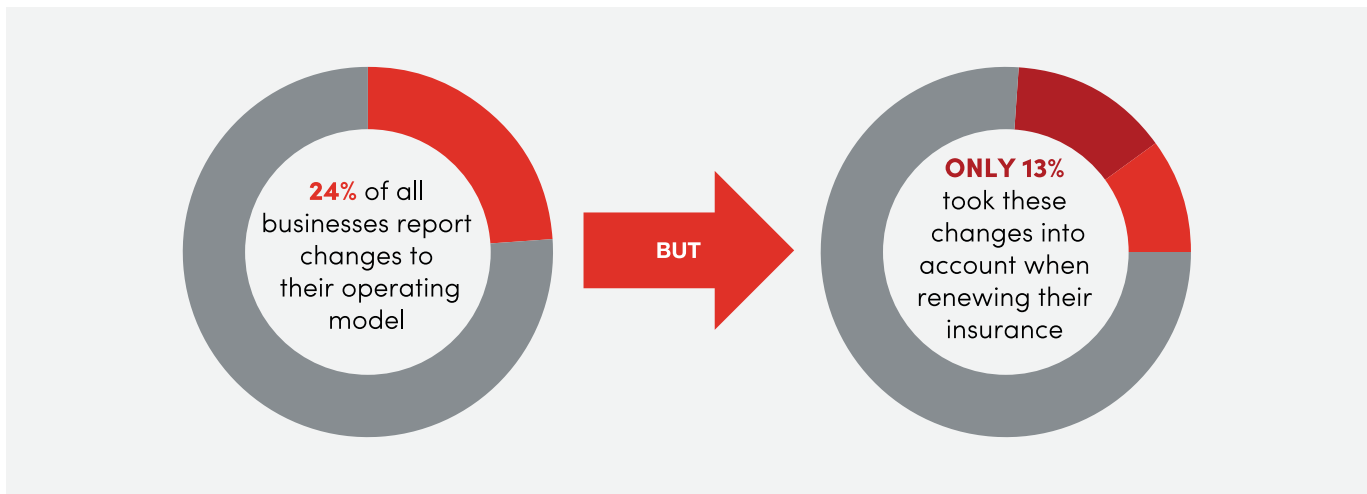
Our findings show that less than half of businesses who have upgraded their equipment have considered this change during their last insurance renewal (refer to Figure 2.3). Conversations about equipment and machinery insurance are essential during the renewal process to ensure that businesses have adequate coverage for their upgraded equipment.

Figure 2.3: Equipment upgrade rates vs consideration rates during insurance renewal



Likewise, businesses that have made changes to their operating model often fail to consider this during their last insurance renewal. Our findings indicate that only 13% took changes to their operating model into account at renewal (refer to Figure 2.4). Conversations about changes in the operating model are crucial during the renewal process to ensure that a business's insurance coverage aligns with the way they conduct their operations.

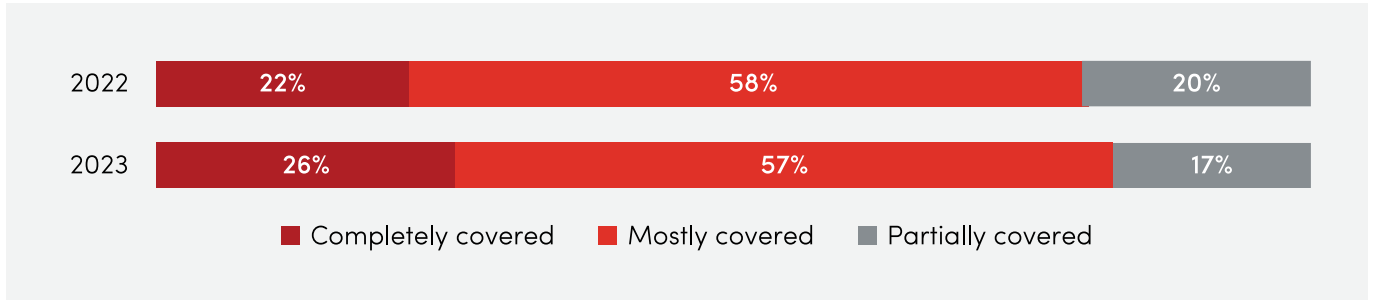
Figure 2.4: Operating model changes vs consideration rates during insurance renewal



Are businesses fully covered for the risks they face?

Business changes are not always considered during insurance renewals, which raises questions about how businesses perceive the coverage provided by their insurance policies. Findings indicate the majority of businesses believe that their insurable risks are mostly covered, while only 26% of businesses perceive their insurance coverage as completely sufficient (refer to Figure 2.5).

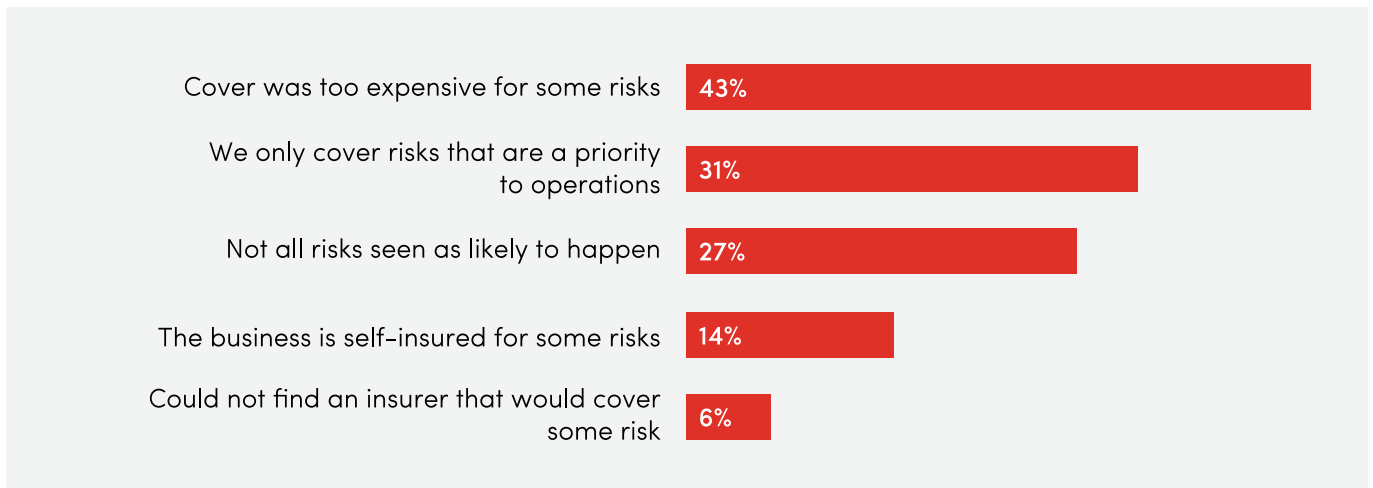
Figure 2.5: Perceptions of coverage levels



To understand the factors affecting confidence in insurance coverage, it is important to understand the reasons businesses may choose not to be completely covered. The most common reason cited is that some covers are perceived as too expensive. Among those surveyed, 31% reported only covering high-priority risks, while another 27% indicated that they don't view certain risks as likely (refer to Figure 2.6). These findings shed light on the considerations made by businesses when deciding on the extent of their insurance coverage.

Brokers can play a significant role in addressing these concerns and helping make insurance more financially attainable for businesses. They can explore options such as payment plans, like premium funding, to assist clients in managing the costs of coverage. Additionally, brokers can provide education and awareness about the real costs associated with underinsurance, emphasising the importance of adequate coverage and focusing on the value provided by insurance rather than solely on price.

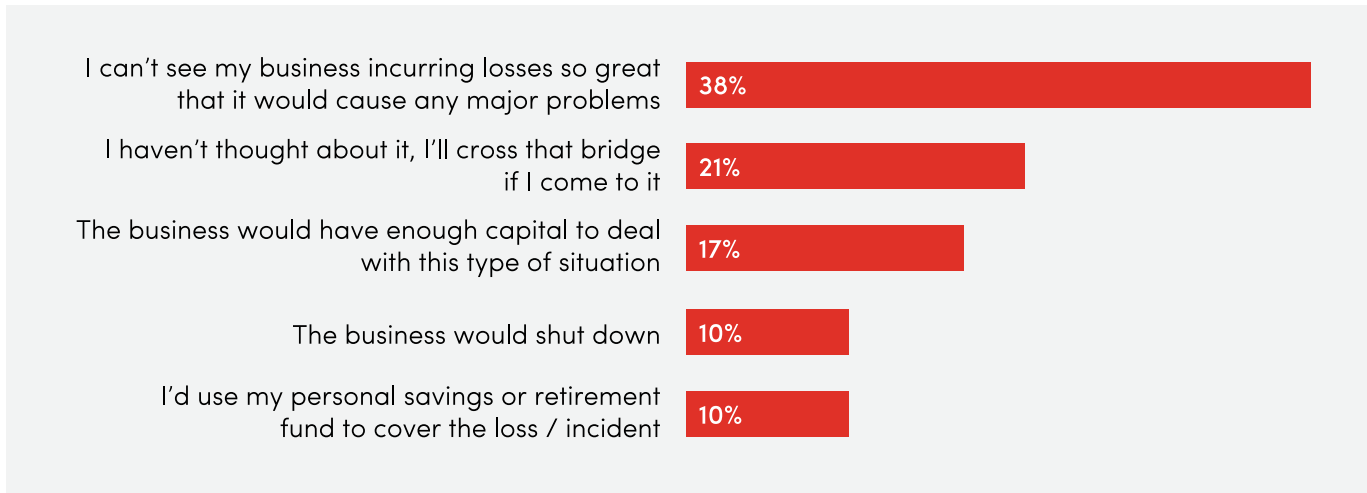
Figure 2.6: Main reasons for not being completely covered by insurance



An important question to consider is how SMEs plan to respond if an incident occurs for which their business is not insured. Notably, many businesses who believe they are not completely covered by insurance commonly think either that nothing bad would happen or haven't given it much thought (refer to Figure 2.7).

This finding highlights the need for brokers to effectively communicate and explain the potential risks to their clients. It is crucial to help clients realise the importance of planning for the worst-case scenarios to adequately protect their business. By emphasising the potential consequences of being underinsured or uninsured, brokers can encourage clients to proactively assess their risks and make informed decisions regarding their insurance coverage.

Figure 2.7: Plan if not completely covered by insurance



What this means for brokers and advisers

Key learning:

- In the past year, nearly half of all businesses have made changes to their operations, with a significant portion focusing on upgrading their equipment. However, it is concerning that over 1 in 3 businesses failed to consider these changes when renewing their insurance.

Implication for brokers and advisers:

- To address this, brokers should discuss business changes, such as equipment upgrades, with their clients at renewal time. Moreover, it is important for brokers to educate clients on core elements that can impact insurance and business risks. Through enhanced understanding, businesses can make more informed decisions about their insurance coverage, reducing the likelihood of inadequate protection.

Key learning:

- The majority of businesses believe that they are mostly covered for the risks their business faces. However, among those who are only partially covered, there is a concerning trend: many of them either don't think that anything bad can happen or haven't given much thought to what they would do if they experienced a negative incident for which they are not covered.

Implication for brokers and advisers:

- Encouraging clients to think critically about potential incidents and their consequences, even if they currently believe they are mostly covered, can help foster a proactive mindset. By discussing risk management and contingency planning, brokers can empower businesses to make more informed decisions and take appropriate measures to mitigate potential risks.



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

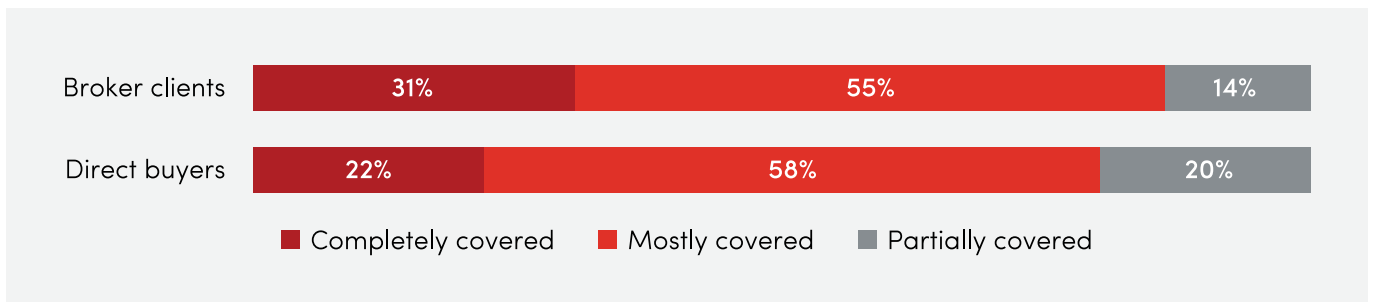


CHAPTER 3: HOW BROKERS PLAY A VITAL ROLE AT RENEWAL

What factors do clients take into account at renewal?

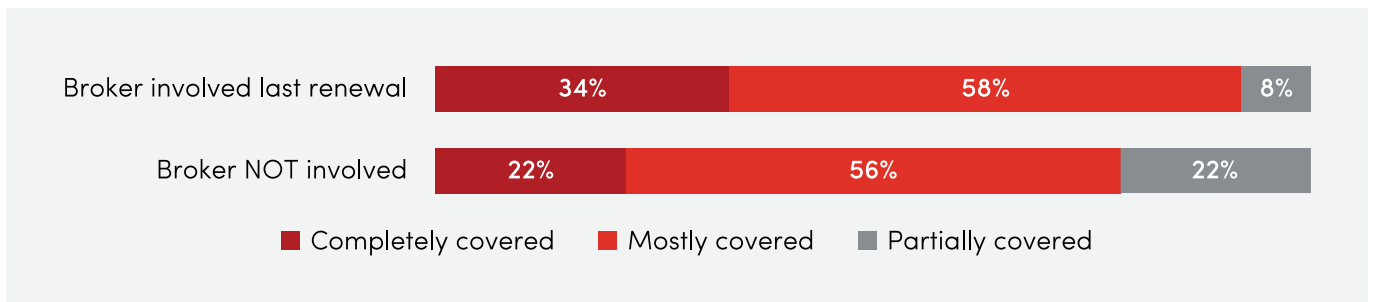
There is a notable difference in perception of coverage between broker clients and those who purchase business insurance directly. Broker clients are more inclined to believe that their insurable risks are fully covered, which reflects positively on the role of brokers in providing comprehensive insurance solutions. However, it is important to acknowledge that nearly 70% of clients do not consider themselves to be fully covered (refer to Figure 3.1). Brokers should discuss clients' understanding of their insurance coverage and risk acceptance.

Figure 3.1: Perceptions of coverage levels by broker usage



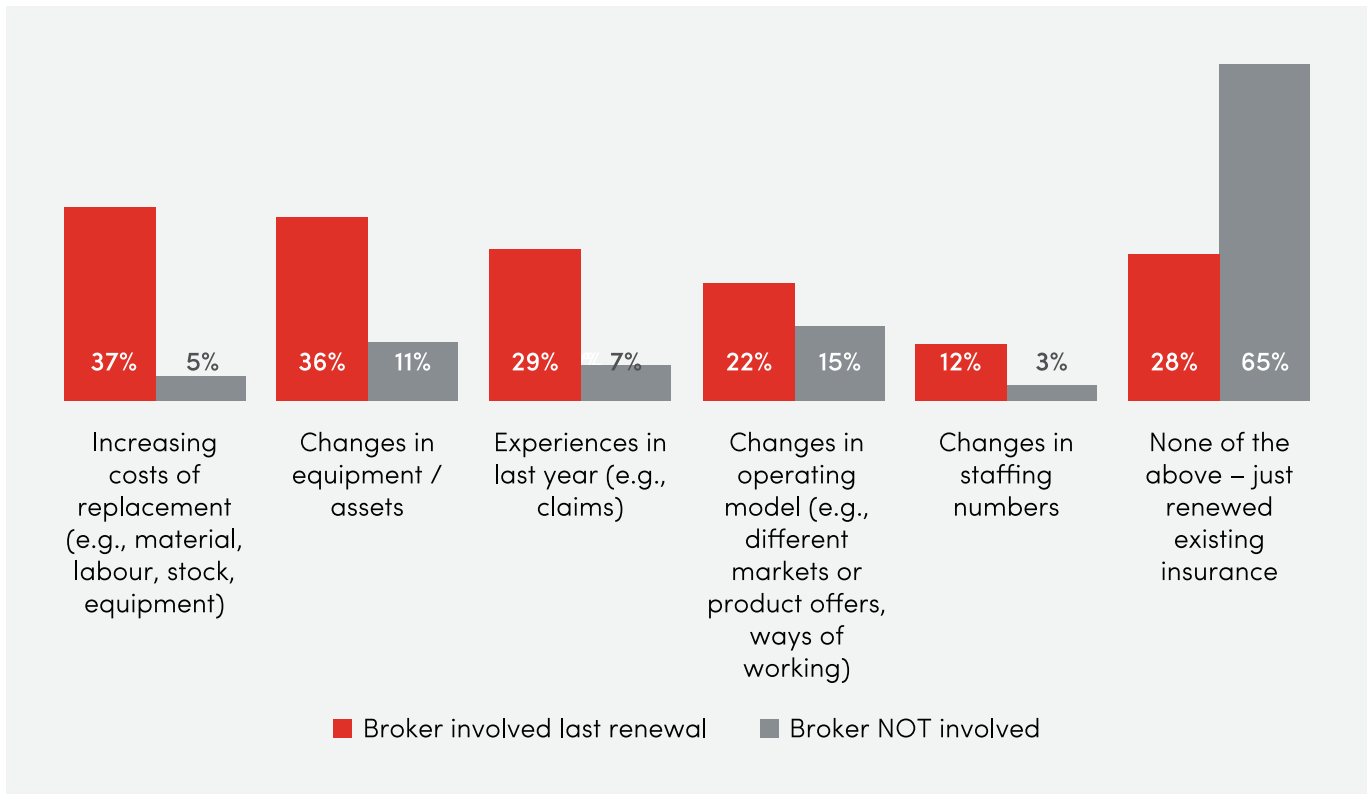
The involvement of a broker during the most recent renewal has a significant impact on clients' perception of their insurance coverage. Clients whose brokers were involved in the renewal process are more likely to consider themselves completely covered compared to those whose brokers were not involved. Specifically, 34% of clients whose brokers were involved report being completely covered, whereas only 22% of clients whose brokers were not involved share the same sentiment (refer to Figure 3.2). This finding underscores the value and importance of brokers being actively involved in the renewal process.

Figure 3.2: Perceptions of coverage levels by broker involvement last renewal



The involvement of a broker during the last renewal not only impacts clients' perception of their coverage but also influences their consideration of key elements related to insurance. Clients whose brokers were involved in the renewal process are more likely to consider important factors, such as the impact of increasing replacement costs, compared to those whose brokers were not involved. Specifically, 37% of clients whose brokers were involved considered the impact of increasing replacement costs at renewal, while only 5% of clients whose brokers were not involved did the same (refer to Figure 3.3). This finding highlights the added value that brokers bring during the renewal process by guiding clients to make informed decisions and consider crucial aspects of their coverage.

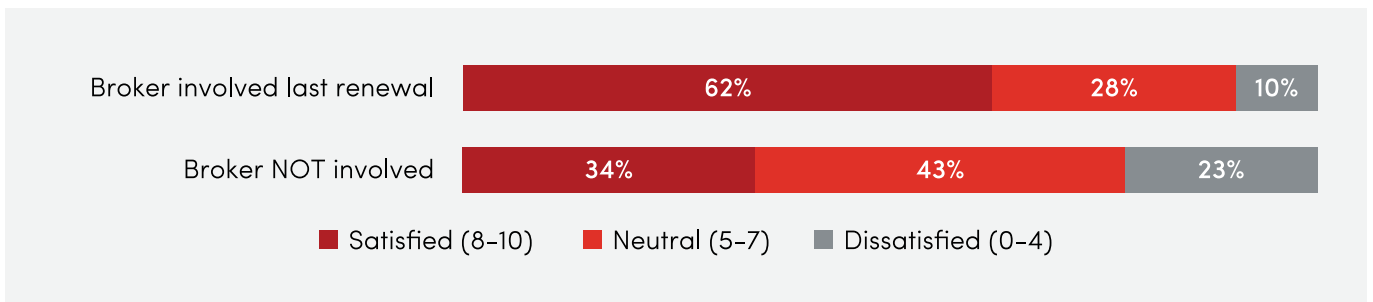
Figure 3.3: Elements taken into account when renewing insurance by broker involvement last renewal



What elements impact client satisfaction?

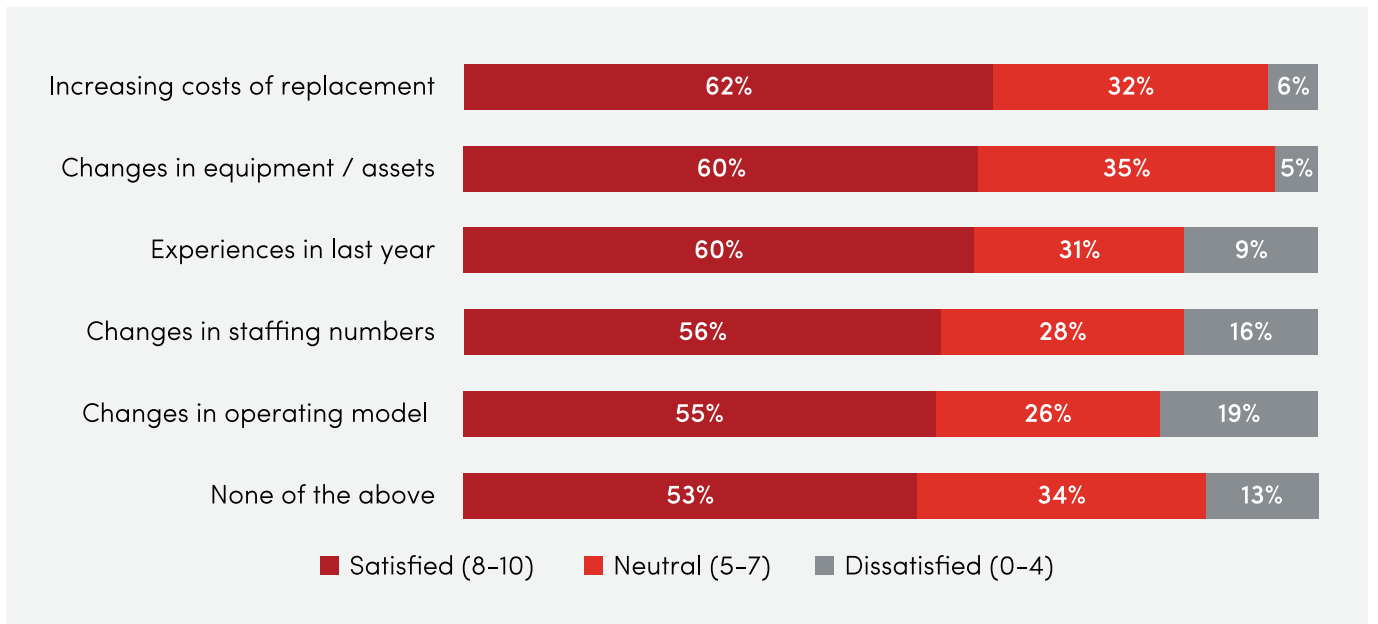
The involvement of brokers at the time of renewal also correlates with higher rates of client satisfaction. Clients who reported their broker’s involvement during the last renewal expressed higher levels of satisfaction compared to those whose brokers were not involved. For example, 62% of clients whose brokers were involved reported being satisfied, whereas only 34% of clients whose brokers were not involved reported the same (refer to Figure 3.4). This finding highlights the positive correlation between broker involvement at renewal and client satisfaction.

Figure 3.4: Broker satisfaction by broker involvement last renewal



Clients who actively consider key elements when reviewing their insurance are also more likely to experience higher levels of satisfaction with their broker. For instance, 63% of clients who have considered increasing costs of replacement at renewal are satisfied with their broker compared to 53% who haven’t taken any fundamental elements into account (refer to Figure 3.5). This underscores the importance of brokers in providing guidance and education to clients during the renewal process and helping them make informed insurance decisions.

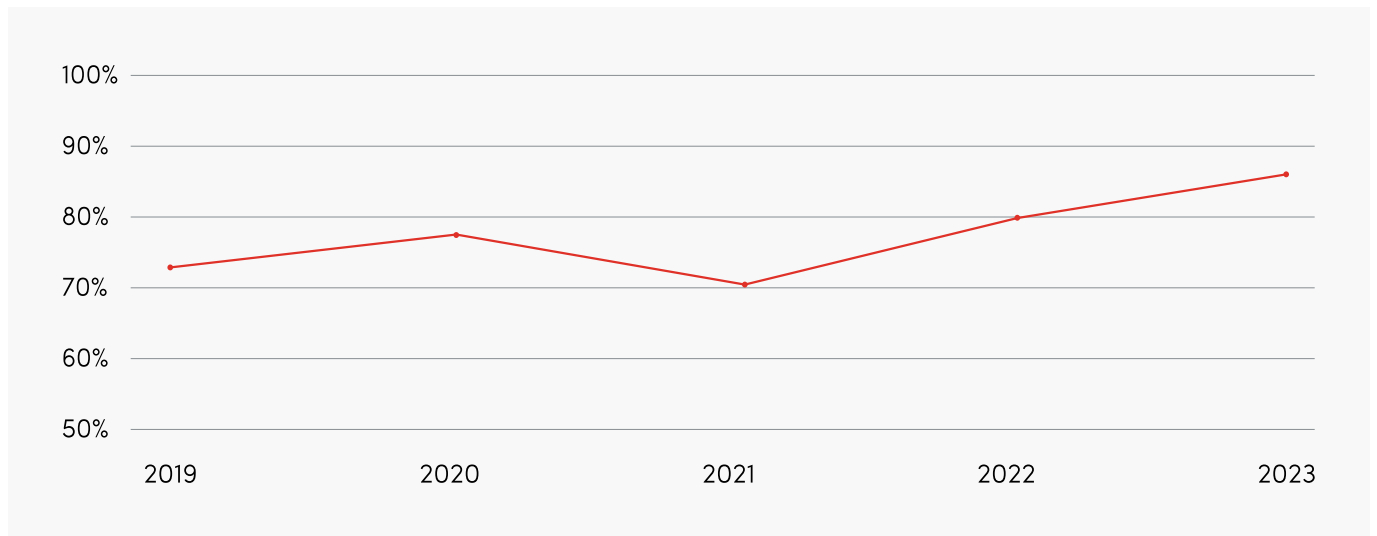
Figure 3.5: Broker satisfaction by elements taken into account



What broker task do clients place increasing importance on?

When asked about the tasks they find important for their broker to undertake, an increasing number of clients nominate checking up on business changes as one of the most crucial tasks. This importance has consistently grown over time. This year, 86% of clients consider it important or useful for their brokers to perform this task, whereas five years ago, the figure was only 73% (refer to Figure 3.6). Brokers should actively engage clients by inquiring about any changes they have made or are planning to make, as clients may not always fully comprehend the impact of these changes on their insurance coverage.

Figure 3.6: Importance of checking up on any changes to business that may impact insurance

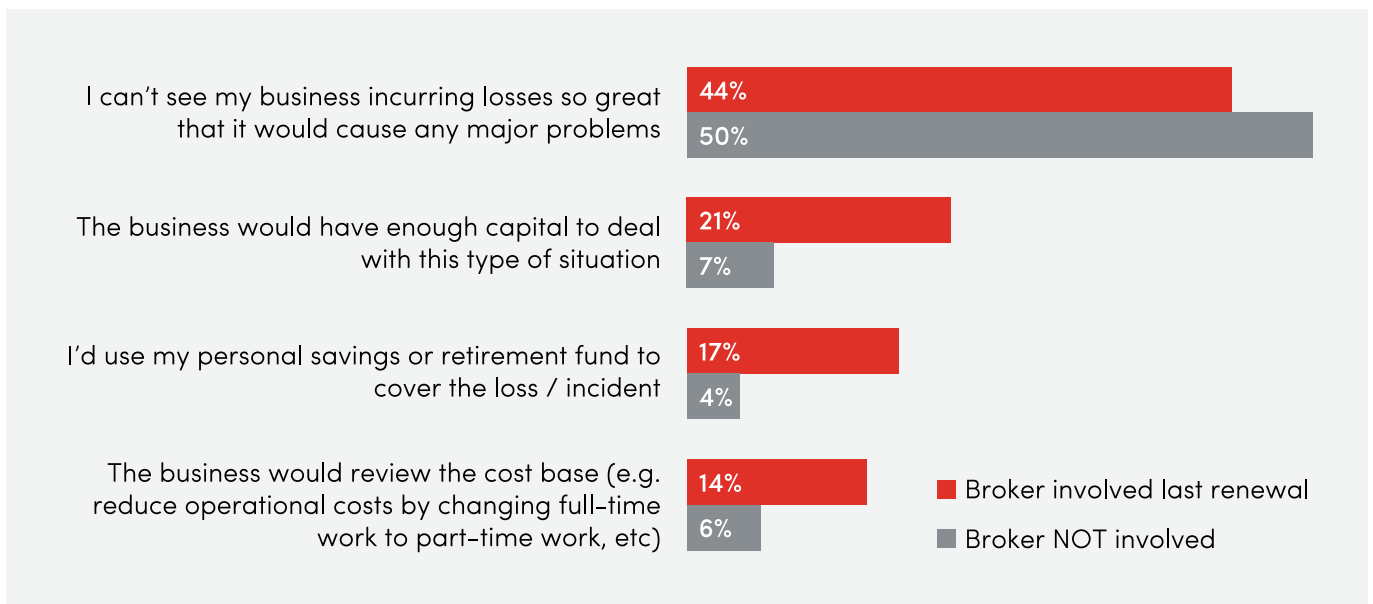


What is the impact of broker involvement in contingency planning?

We've seen that brokers can positively impact coverage perceptions and renewal decision making by being more involved. However, what about clients who acknowledge that they aren't completely covered? Can brokers assist these clients as well?

Positively, clients whose brokers were involved at renewal are more likely to have viable plans in place that indicate conscious decision making, even if they aren't fully covered for their insurable risks. They are more likely to report having enough capital to cope, being able to utilise personal savings, or plan on reviewing the business cost base in the event of a negative incident (refer to Figure 3.7). This suggests that businesses make more informed decisions and are better prepared for risks when their broker is involved even if they know they are not completely covered by insurance.

Figure 3.7: Plan if not completely covered by broker involvement at renewal



What this means for brokers and advisers

Key learning:

- Brokers' involvement in the renewal process leads to improved outcomes, as clients become more thorough in considering various factors and gain greater confidence in their insurance coverage.

Implication for brokers and advisers:

- Recognise the significance of renewals as critical moments in the insurance cycle, where brokers can showcase their expertise and demonstrate the value they provide to clients. Utilise this opportunity to engage with clients, discuss their evolving needs, and tailor insurance solutions that address their specific risks and concerns.

Key learning:

- Clients whose broker was involved in their last renewal are more likely to report higher satisfaction. Additionally, clients who carefully consider important factors when reviewing their insurance coverage tend to express greater satisfaction with their broker. Notably, clients value brokers who actively monitor and stay updated on any changes within their business that could affect their insurance policies.

Implication for brokers and advisers:

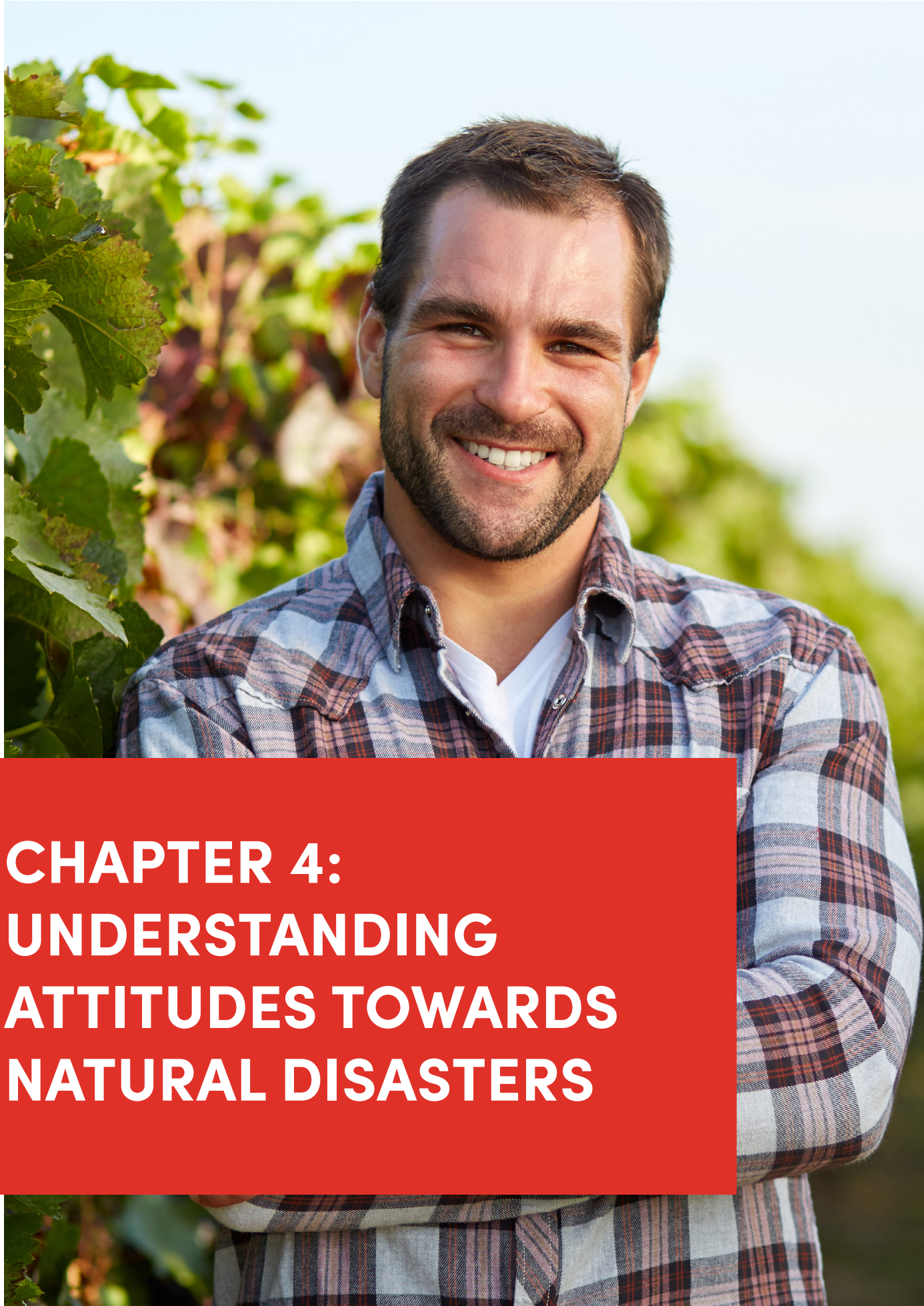
- Brokers should take a proactive approach by reaching out to clients during the renewal process. By engaging in open and collaborative discussions, brokers can better understand their clients' evolving insurance needs and address any changes effectively. This proactive involvement will contribute to higher levels of client satisfaction and strengthen the broker-client relationship.

Key learning:

- Clients whose broker was involved in the renewal process are more likely to have viable plans in place, even if they acknowledge that they are not fully covered for their insurable risks. This indicates that the involvement of brokers leads to more informed decision making and better risk preparedness amongst clients.

Implication for brokers and advisers:

- Brokers should emphasise the value they provide in enabling clients to make conscious decisions and enhance their risk preparedness. By highlighting the benefits of their involvement, brokers can instil confidence in their clients and emphasise the importance of their expertise in navigating insurance coverage and risk management.



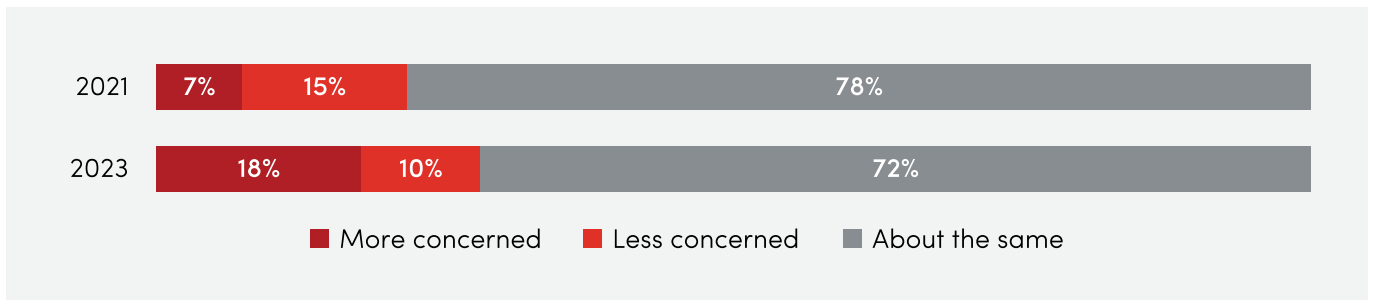
**CHAPTER 4:
UNDERSTANDING
ATTITUDES TOWARDS
NATURAL DISASTERS**

How concerned are businesses about natural disasters?

Natural disasters have had a significant impact on New Zealand businesses in the last year, ranging from flooding and landslides in January, to Cyclone Gabrielle in February 2023. (For context, this research was conducted towards the end of April and into May.) As the frequency and severity of natural disasters continue to rise, insurance brokers can demonstrate their expertise and add value to clients' businesses by proactively addressing this issue.

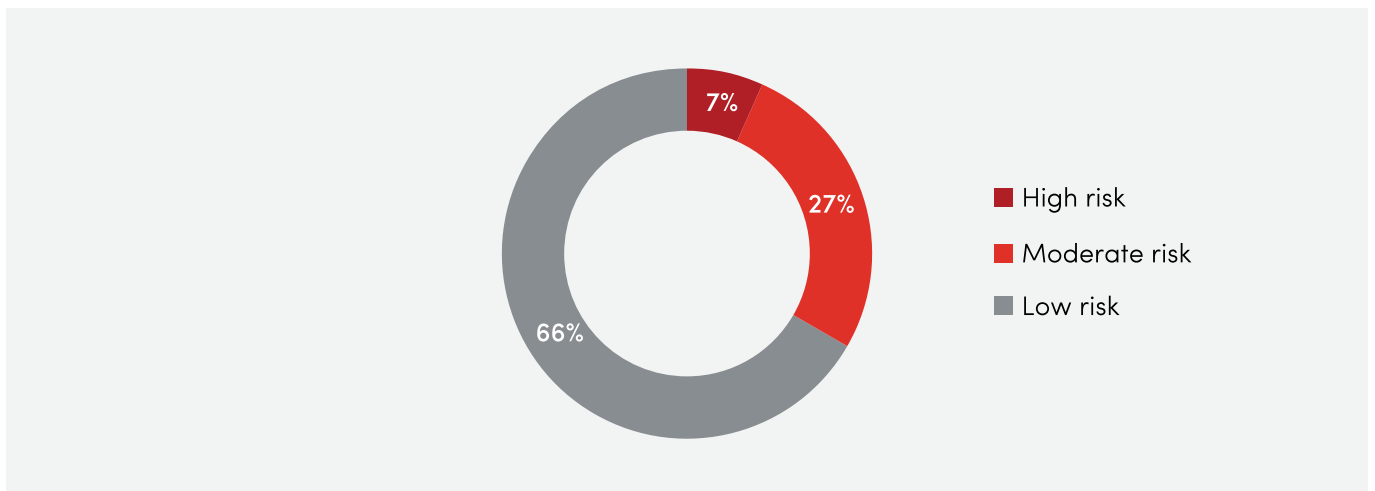
Unsurprisingly, the level of concern regarding natural disasters is on the rise, with one in five businesses expressing increased apprehension compared to 2021 (refer to Figure 4.1). This trend suggests that clients will increasingly want to discuss the risks associated with natural disasters with their broker.

Figure 4.1: Changes in level of concern for natural disasters



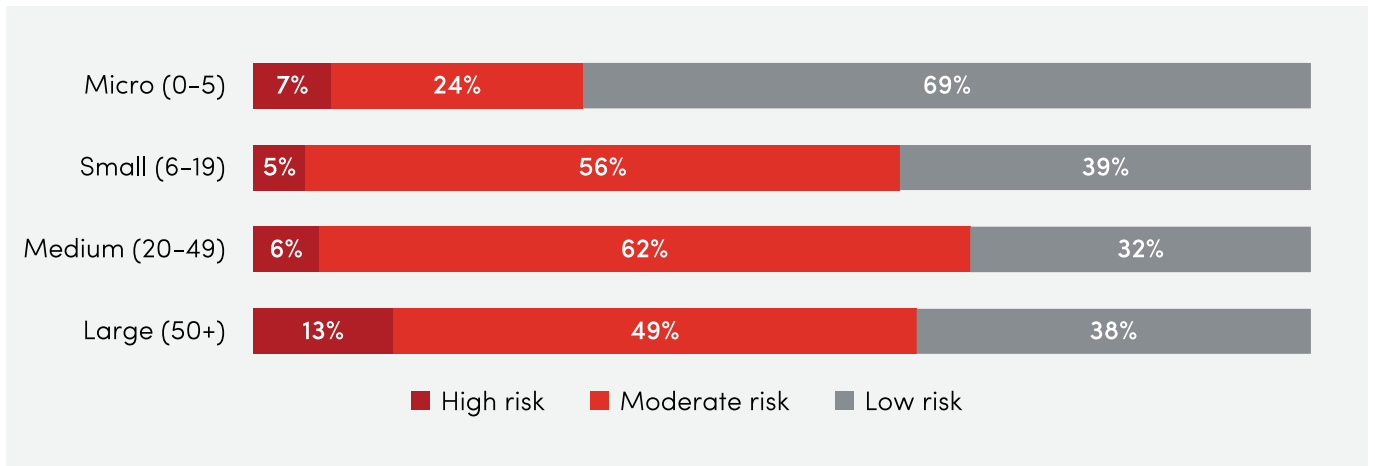
In addition to the heightened levels of concern this year, 34% of businesses also perceive their operations to be at a moderate to high risk from natural disasters (refer to Figure 4.2). This finding emphasizes the need for insurance brokers to carefully assess and address the specific risk profiles of their clients' businesses in relation to natural disasters. By understanding and addressing these risks, brokers can provide tailored insurance solutions that offer appropriate coverage and risk mitigation strategies for businesses exposed to natural disaster risks.

Figure 4.2: Perceived business level of risk for natural disasters



While concerns about natural disasters are prevalent among businesses, micro-sized businesses are found to be the least likely to express such concerns. However, as businesses grow in size, the relevance of discussing natural disaster risks becomes increasingly significant (refer to Figure 4.3). It is important for insurance brokers to recognise the varying levels of concern among different business sizes and engage in proactive discussions with their clients, particularly as businesses expand.

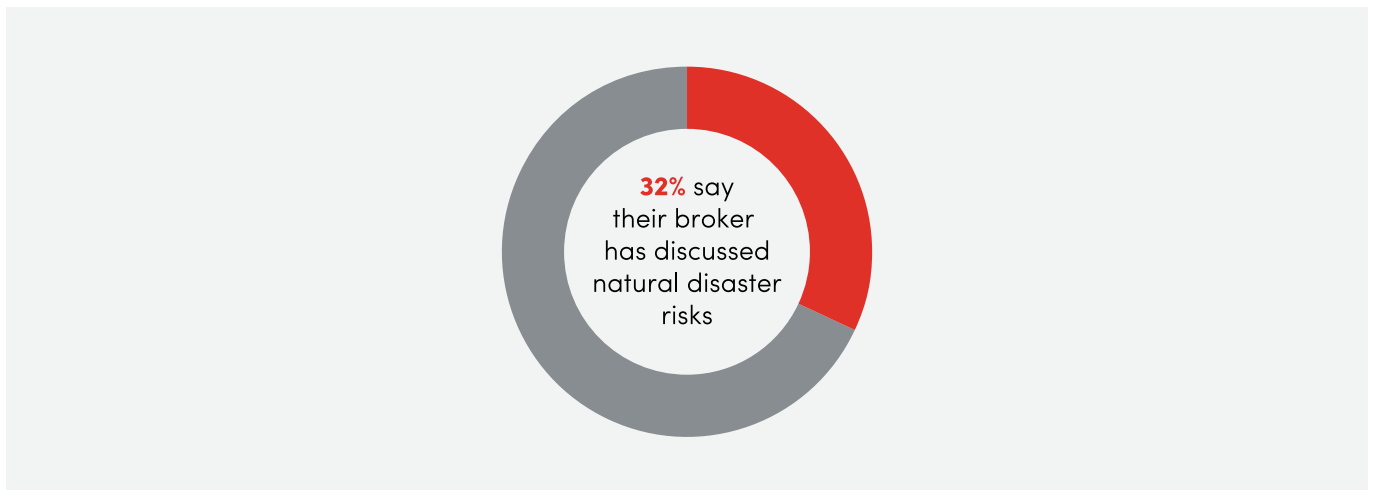
Figure 4.3: Perceived business level of risk for natural disasters by business size



Have businesses discussed natural disasters with their brokers?

The significance of a broker’s advice in addressing natural disaster risks is evident. However, our findings reveal that only 32% of clients report having discussed natural disasters with their brokers (refer to Figure 4.4). Although this figure has increased compared to the reported 25% in 2021, it highlights the need for further broker-client conversations on this critical issue.

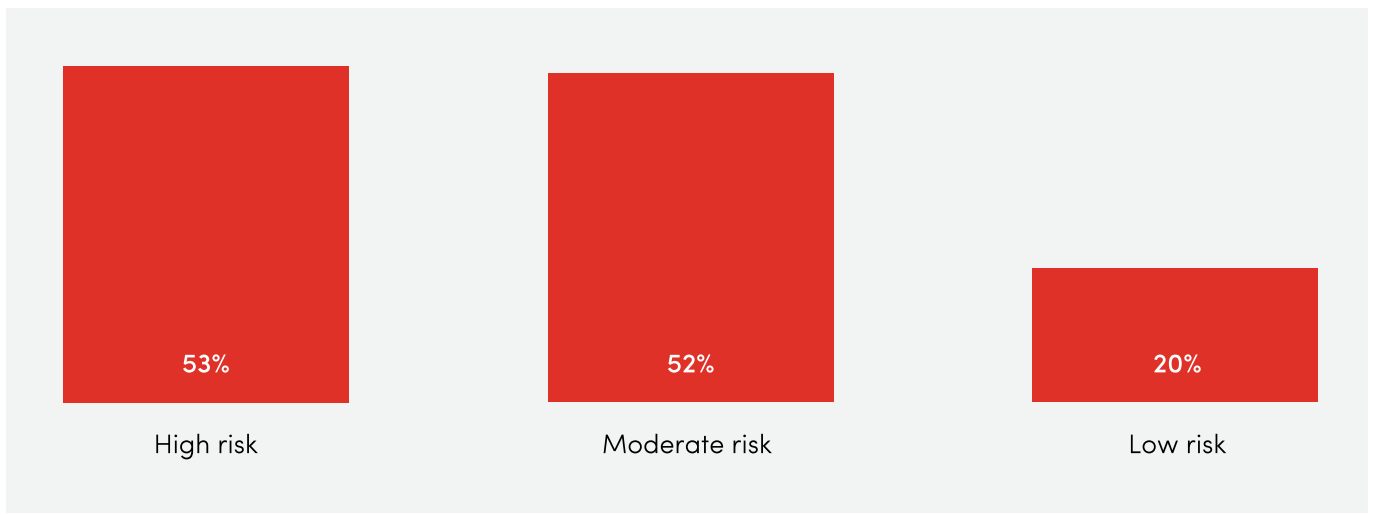
Figure 4.4: Rates of broker discussions on natural disasters



Among clients who perceive their businesses to be at high risk from natural disasters, a promising finding emerges: 53% of them have reported having discussions with their brokers about this specific topic (refer to Figure 4.5). This suggests that a significant number of brokers are responsive to their clients' higher levels of concern.

While this finding is encouraging, it also highlights a gap. Brokers who haven't already discussed natural disasters with their clients should strive to further close this gap by proactively discussing natural disaster risks, even among clients who may not perceive their risks as high.

Figure 4.5: Rates of broker discussions by perceived business level of risk



What this means for brokers and advisers

Key learning:

- The concern about natural disasters among businesses is on the rise, with a significant portion expressing increased worry compared to 2021. Additionally, a third of businesses perceive themselves to be at moderate to high risk of being affected by natural disasters.

Implication for brokers and advisers:

- It is important for brokers to provide support and assistance to clients in navigating the risks posed by natural disasters. This can be achieved through proactive risk management strategies, offering comprehensive insurance solutions that address specific concerns related to natural disasters, and providing guidance to help businesses mitigate their exposure to such risks.

Key learning:

- Two-thirds of clients have not had any discussions with their brokers regarding natural disasters. Even among those who perceive their business risks from natural disasters as high, only half have engaged in conversations with their brokers.

Implication for brokers and advisers:

- There is significant untapped potential for brokers to actively engage their clients in discussions about natural disaster risks. It is important for brokers to initiate these conversations, even if it is simply to inform clients about the available coverage options and help them understand what specific natural disaster risks they are covered for and what risks they are not covered for. It is important not to assume prior knowledge in this area and to provide clear and comprehensive information to clients regarding their insurance coverage for natural disasters.



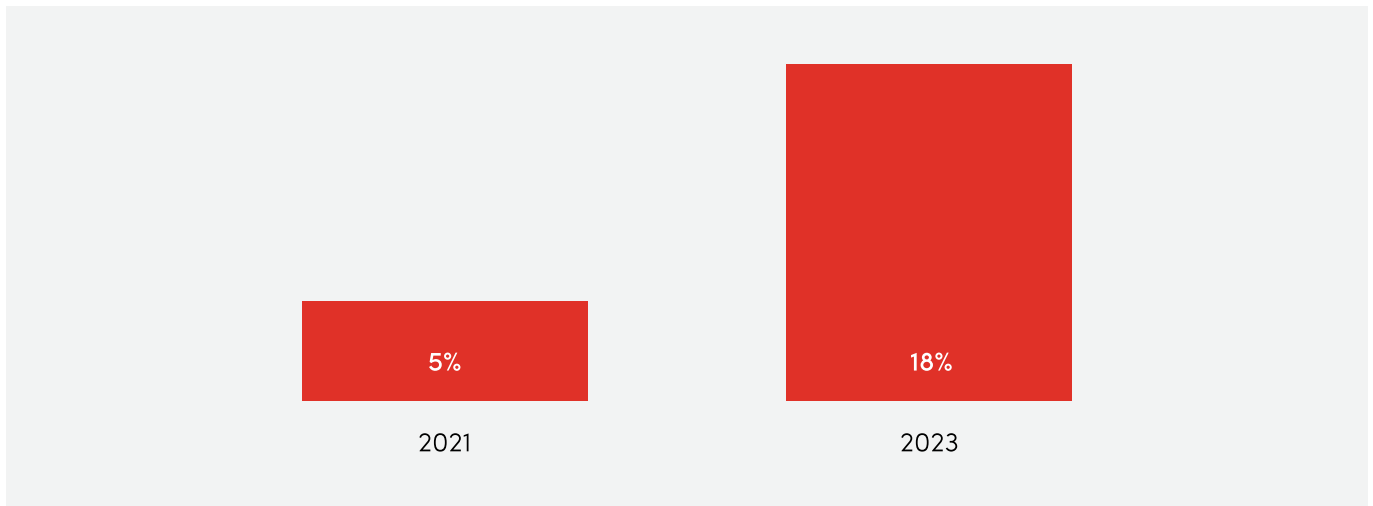
CHAPTER 5: INSURANCE EXPERIENCES WITH NATURAL DISASTERS



How many businesses have been impacted by natural disasters?

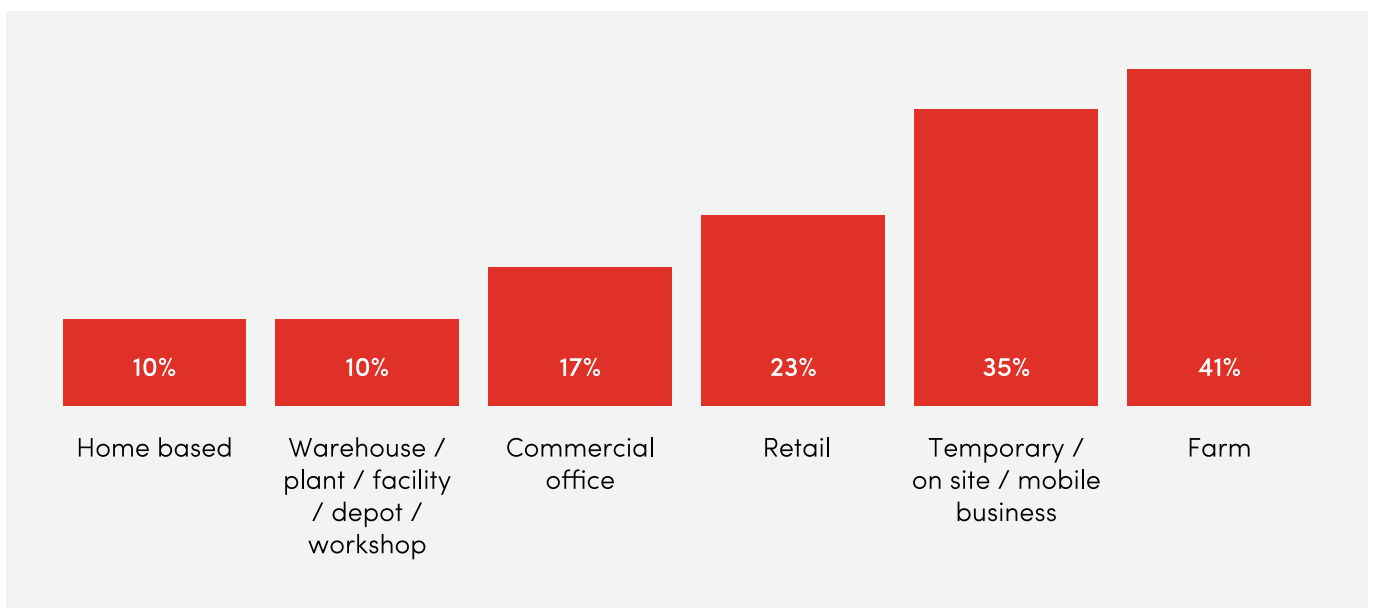
Unsurprisingly, the number of businesses affected by natural disasters in New Zealand has significantly risen compared to our research in 2021. This year, 18% of businesses report being impacted by natural disasters in the past 3 years, a notable increase from 5% in 2021 (refer to Figure 5.1). This highlights that natural disaster risks are more likely to be top of mind for SMEs in the coming year.

Figure 5.1: Rate of businesses impacted by a natural disaster in the last 3 years



The study reveals that certain types of premises are more likely to have experienced natural disasters. Farm-based businesses, as well as those operating in temporary or on-site locations, were significantly more likely to say that they had experienced a natural disaster, while home-based businesses were the least likely to report natural disaster impacts (refer to Figure 5.2).

Figure 5.2: Rate of businesses impacted by a natural disaster in the last 3 years by premise type



Businesses reported flooding as the most frequently experienced disaster, followed by cyclone damage and severe storms (refer to Figure 5.3).

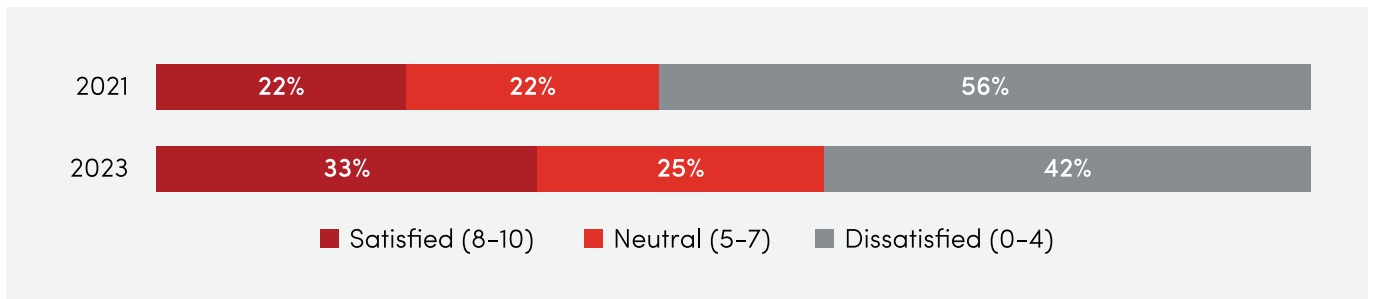
Figure 5.3: Type of natural disaster experienced



How satisfied are businesses with their natural disaster insurance experiences?

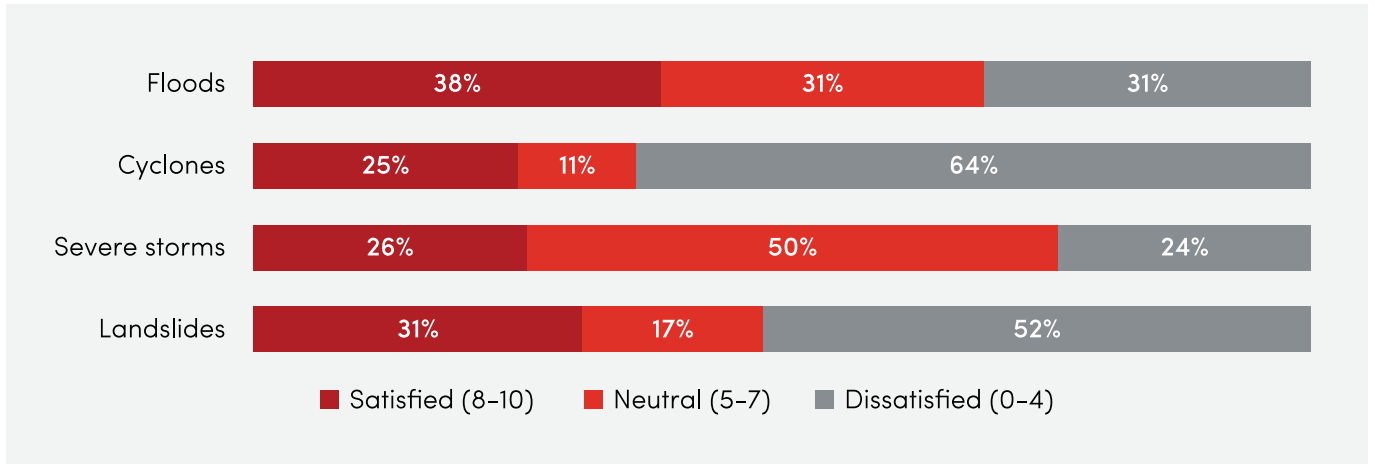
The level of satisfaction with natural disaster insurance experiences has increased compared to 2021. This year a third of businesses are satisfied with a further quarter feeling neutral about their experience (refer to Figure 5.4). However, it is worth noting that 42% of businesses still expressed dissatisfaction. Understanding the factors that distinguish between satisfied and dissatisfied businesses is crucial to identify areas that brokers could focus on to ensure effective experiences.

Figure 5.4: Natural disaster insurance experience satisfaction levels



Businesses that have encountered cyclone and landslide damages appear to be particularly dissatisfied with their insurance experiences. Specifically, 64% of those affected by cyclone damage and 52% of those impacted by landslide damage express dissatisfaction (refer to Figure 5.5).

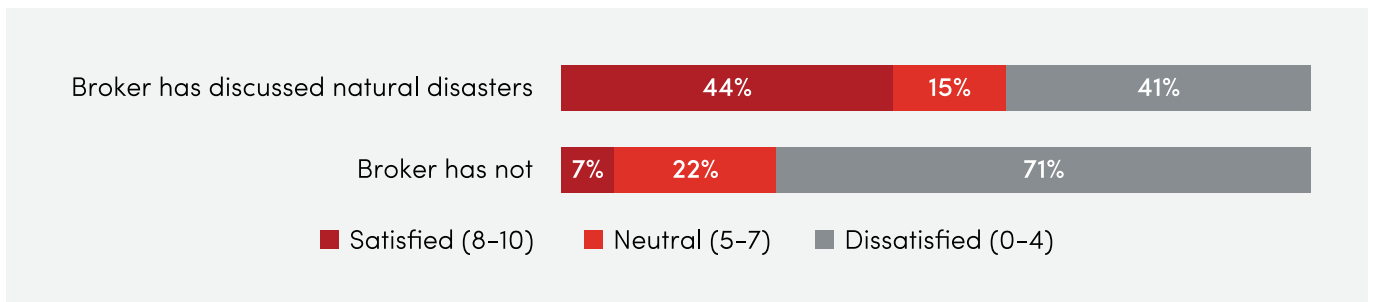
Figure 5.5: Natural disaster insurance experience satisfaction levels by disaster type



Clients who have had discussions with their brokers about natural disaster risks and impacts are significantly more likely to be satisfied with their insurance experience during a natural disaster incident. In fact, according to the data, broker clients are six times more likely to express satisfaction when their brokers have engaged in these discussions (refer to Figure 5.6). Conversely, when brokers have not addressed the impacts of natural disasters, over 70% of clients express dissatisfaction with their insurance experience when faced with such events.

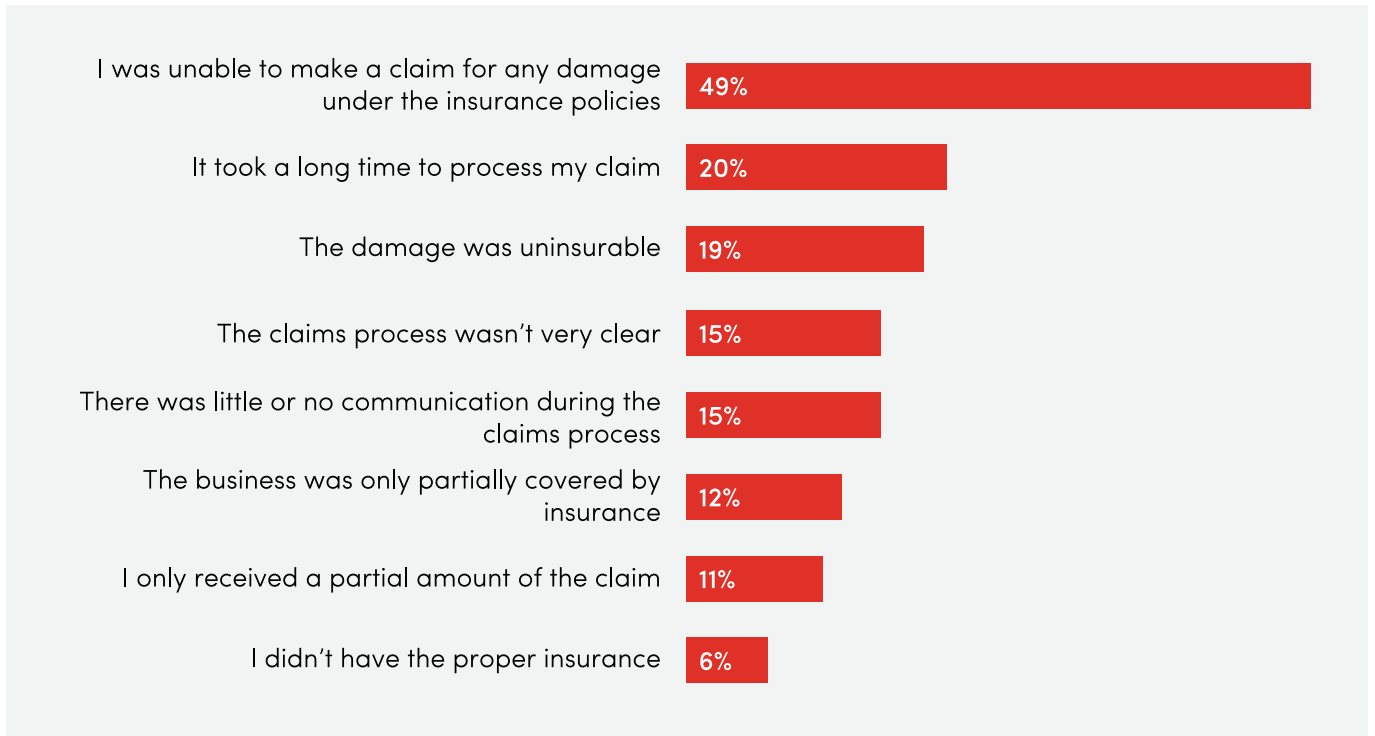
These findings highlight the importance of brokers initiating conversations about natural disaster risks and impacts with their clients. By discussing natural disaster-related topics, brokers can provide valuable insights and guidance, enabling clients to make informed decisions regarding their insurance coverage.

Figure 5.6: Natural disaster insurance experience satisfaction levels by broker discussions



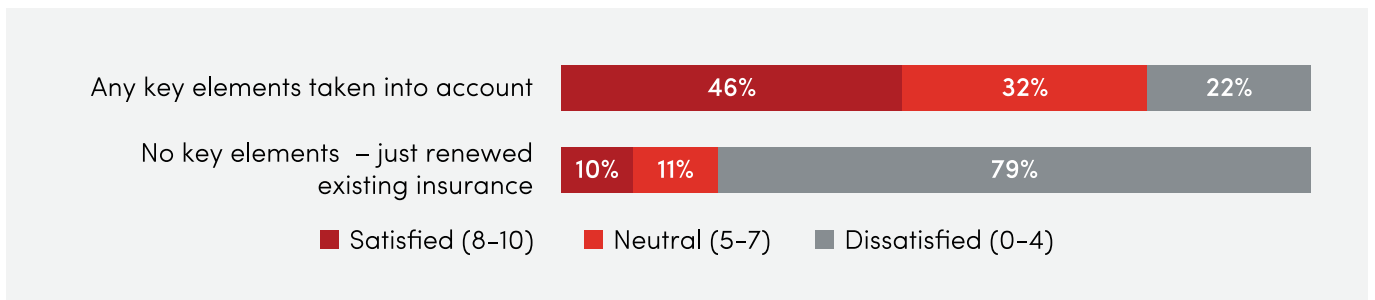
The primary reason cited for dissatisfaction with a natural disaster insurance experience is the inability to make a claim. Additionally, a fifth of businesses expressed dissatisfaction with the lengthy claim processing time, while another 19% reported that certain damages were deemed uninsurable (refer to Figure 5.7). Brokers are in a position to provide guidance and education about the coverage limitations and conditions under insurance policies and therefore can help maximise clients' satisfaction with their insurance experiences.

Figure 5.7: Reasons given for dissatisfaction



The inability of businesses to make claims or encountering uninsurable damage aligns with the finding that those who neglect key elements during insurance policy renewal are more likely to be dissatisfied with their natural disaster insurance experience. Notably, 79% of businesses that did not consider any key elements during their last renewal, such as increased replacement costs or upgraded equipment, reported dissatisfaction with their natural disaster insurance experience (refer to Figure 5.8). Brokers can play a vital role in addressing this issue by ensuring that clients fully understand the risks associated with natural disasters during the renewal process.

Figure 5.8: Natural disaster insurance experience satisfaction levels by elements taken into account when renewing insurance



What this means for brokers and advisers

Key learning:

- Almost 20% of SMEs report business impacts from natural disasters within the last 3 years, with floods being the most prevalent type of disaster.

Implication for brokers and advisers:

- While floods will be top of mind for most clients, it is important for brokers to educate their clients on the full suite of natural disasters as climate cycles bring different risks.

Key learning:

- Clients are more likely to be dissatisfied with their natural disaster insurance experience if their brokers have not discussed the risks and impacts prior to an event.

Implication for brokers and advisers:

- Brokers should consider the need to have thorough discussions with their clients about natural disaster risks. This includes clients operating home-based businesses or relatively small businesses, as neglecting to discuss their level of coverage or risk often leads to unrealistic expectations regarding natural disaster coverage even if their likelihood of risk is potentially smaller.

Key learning:

- The most common reason for dissatisfaction is the realisation that businesses are unable to make claims for damages under their existing policies. Also, those who did not take key elements into account during their latest insurance renewal are more likely to be dissatisfied with their natural disaster insurance experience.

Implication for brokers and advisers:

- There's a need for brokers to educate clients about the scope of coverage and the specific items that can be claimed under natural disaster policies, to help manage expectations and ensure businesses are aware of what they can and cannot claim. Brokers should also consider the need to educate clients on the key elements they should consider during insurance policy renewals. By setting accurate expectations, brokers can reduce dissatisfaction at the time of making a claim.

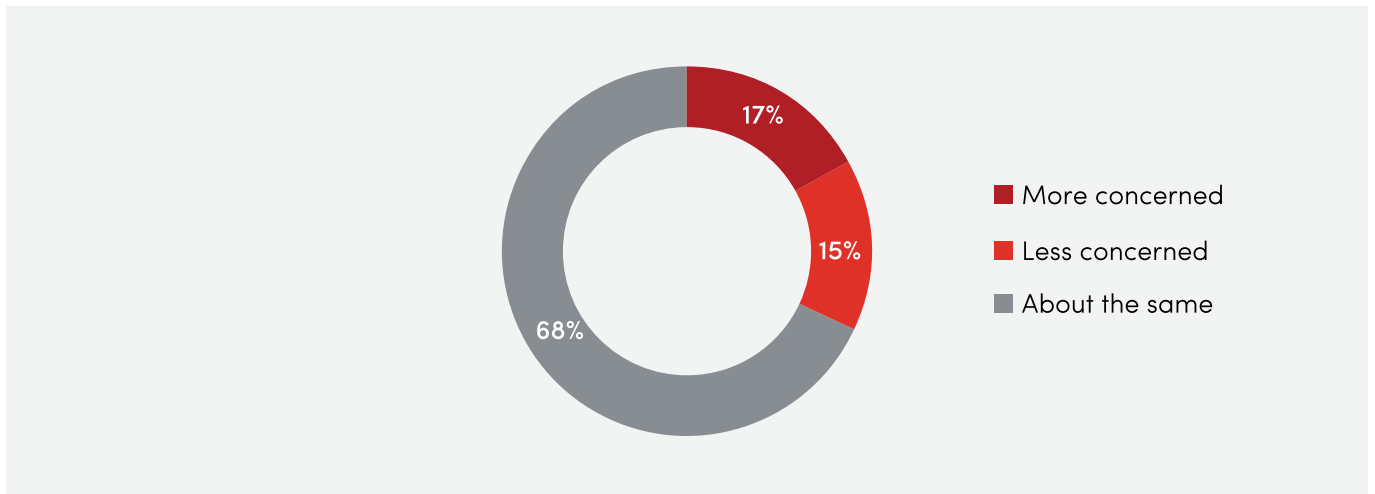


CHAPTER 6: SHIFTS IN ATTITUDES TOWARDS CLIMATE CHANGE

This year, nearly 1 in 5 businesses have expressed heightened concerns about climate change (refer to Figure 6.1). It is important to note that direct buyers, large businesses, farm-based businesses, and those operating on temporary sites are significant audiences to address when discussing insurance issues related to climate change as these groups are even more likely to report increased concern. Both rural and urban businesses exhibit increased concerns, demonstrating that this isn't just a rural issue.

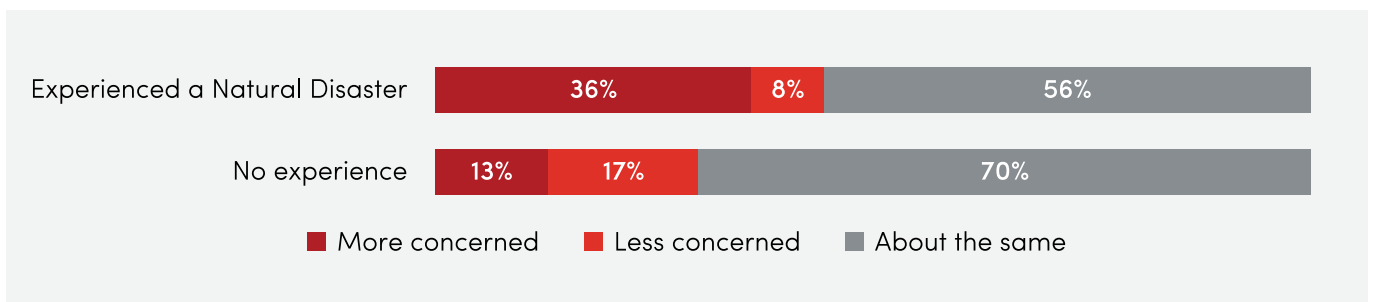
Given the rising concerns about climate change, it is crucial to discuss climate change-related insurance issues with clients. Brokers should ensure that these issues are on their radar and actively engage with key audiences such as direct buyers, large businesses, farm-based businesses, and those on temporary sites.

Figure 6.1: Changes in level of climate change concern



36% of businesses that have encountered a natural disaster in recent years express increased concerns about climate change impacts on their business (refer to Figure 6.2). In light of this finding, brokers should proactively reach out to clients who have experienced natural disasters to assess their current insurance coverage. It is crucial to determine if their policies adequately address the potential increased risks associated with climate change. By conducting these check-ins and ensuring appropriate coverage, brokers can help businesses mitigate the potential impacts of climate change-related risks and provide them with peace of mind.

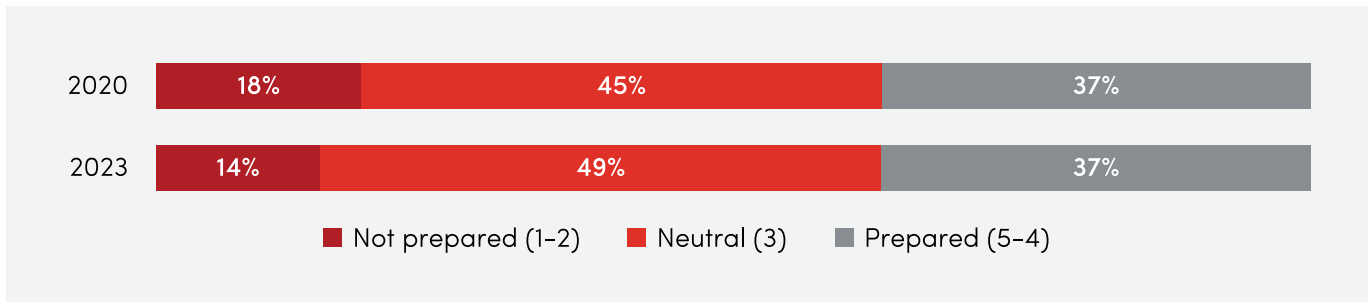
Figure 6.2: Changes in level of climate change concern by experience with a natural disaster



The numbers of businesses that feel prepared to respond to climate change have remained unchanged at 37% since 2020. However, 49% report being neither prepared nor unprepared, indicating a level of uncertainty regarding businesses' readiness for climate change (refer to Figure 6.3). Notably, there were no significant differences observed based on whether businesses purchased their insurance directly or through a broker.

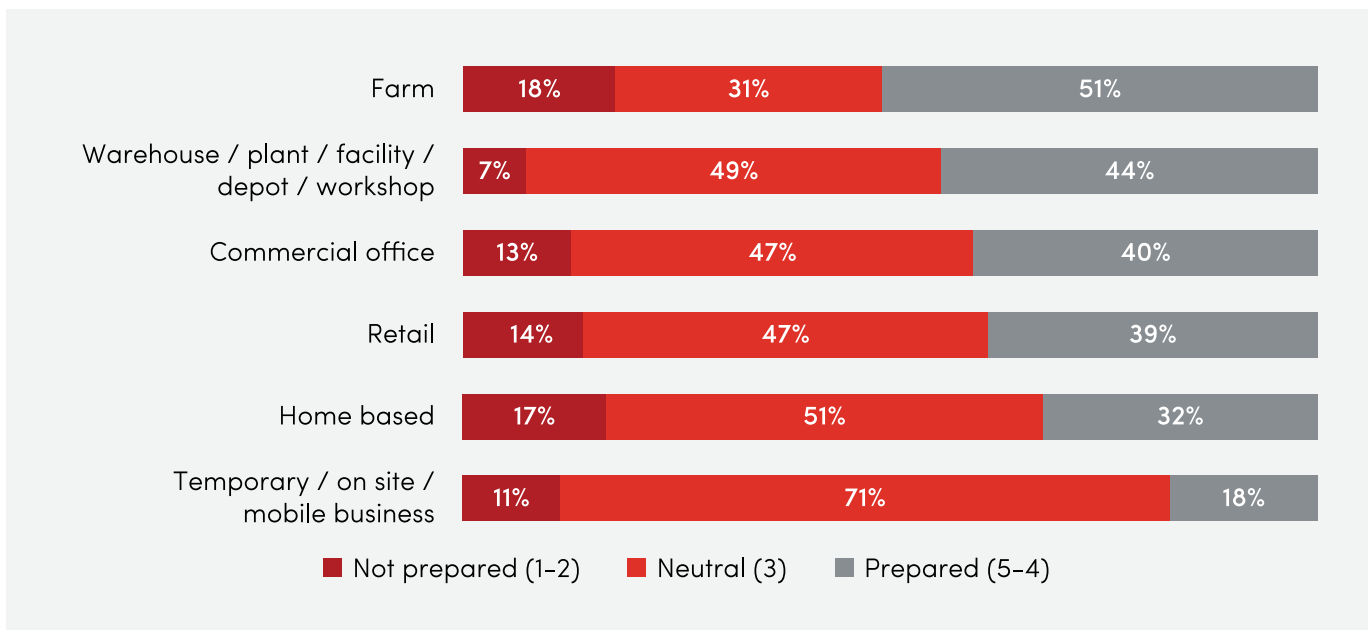
Given the lack of significant changes in businesses' preparedness for climate change, it is important for brokers to take proactive steps. Brokers should engage with their clients and initiate discussions about climate change-related risks and preparedness. By addressing this uncertainty and providing relevant information and guidance, brokers can assist businesses to develop effective strategies to navigate the challenges posed by climate change.

Figure 6.3: Preparedness of business to respond to climate change



Among businesses, those with farm-based operations tend to feel the most prepared to respond to climate change. However, it is important to note that even within this group, nearly half express a neutral stance or feel unprepared (refer to Figure 6.4). This indicates a significant need to assess potential risks associated with climate change across various business premises. By conducting such assessments, brokers can gather relevant information to provide their clients with targeted guidance, helping them feel more prepared to tackle climate change-related challenges.

Figure 6.4: Preparedness of business to respond to climate change by premise type



What this means for brokers and advisers

Key learning:

- One in five businesses express growing concern about the impacts of climate change. It is important to note that this concern is not limited to rural businesses; key audiences such as direct buyers, large businesses, and those operating in farm-based or temporary sites also exhibit heightened concerns about climate change.

Implication for brokers and advisers:

- Brokers should actively engage with their clients and initiate discussions about climate change-related insurance issues. It is crucial to ensure that clients consider relevant policies, proactive risk management, and mitigation strategies in response to climate change.

Key learning:

- The number of businesses that feel prepared to respond to climate change has remained unchanged since 2020. This represents a significant area of opportunity for brokers to help their clients feel more prepared.

Implication for brokers and advisers:

- Brokers should focus on raising awareness among their clients about the potential challenges and risks associated with climate change. This can involve providing information, suggesting proactive measures, and offering insurance options that address climate change-related risks. By taking these actions, brokers can help clients feel more prepared and equipped to navigate the changing landscape influenced by climate change.

The research

This report is based on research involving 765 business owners and decision makers from around New Zealand. The research was independently* conducted using an online quantitative survey. Business owners and insurance decision makers were interviewed, covering a range of business types, locations and sizes.

The survey was conducted during April-May 2023 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
- attitudes towards risk
- behaviours at renewal
- experiences and attitudes towards natural disasters
- attitudes towards climate change
- 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 four groups, following Statistics New Zealand standards:

Micro

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

Small

Businesses which employ 6-19 employees

Medium

Businesses which employ 20-49 employees

Large

Businesses which employ 50+ employees

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

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