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Where do the biggest opportunities lie for brokers in the SME market?

There seems to be a significant number of drivers for change in the SME market, which begs the question how the relationship between brokers and these clients will change. **Edward Murray** looks at the opportunities available for intermediaries to remain as relevant in the future as today, especially in terms of utilising new technologies and focusing on growing sectors like cyber

How can insurers and brokers attract and retain small to medium-sized enterprise clients and should they put their efforts into automation, artificial intelligence or new products and services?

To find out, *Post* got together with credit bureau and business information specialist Crif. The resulting *SME Insurance Risk Survey* research canvassed views from a wide range of insurance professionals who deal in this market, and the findings are explored in this article.

Biggest opportunities

Asked where the biggest opportunities were in the SME sector, there was no doubt among respondents that IT held the secret. Adopting new technologies such as artificial intelligence and automation to improve sales processes came out top (See figure one, page 22). Using data more efficiently and increasing online sales were the second and third placed answers.

"In looking at the opportunity, it is important that we do not see SMEs as a homogeneous group of entities that all behave and interact with the insurance market in the same way," warns Paul Trivett, e-trading director at RSA.

He adds: "It is a really broad ranging sector going from micro businesses in back bedrooms, to medium enterprises with turnovers of £30m. There are opportunities across the spectrum, but they change as you go through that spectrum."

Technology will help to unlock these opportunities and the insurance industry has already taken significant steps, at no small cost, in its effort to realise their potential.

Paul Tombs, head of SME at Zurich, comments: "The adoption of new technologies such as AI and automation are important and something that Zurich has invested in heavily."

Discussing additional areas of development, he continues: "Increasing use of data enrichment is another area we are exploring and all these things can make the quote journey quicker and easier for SMEs and the brokers they deal with. They can also help the insurer decision around risk selection and in making sure the right pricing is applied the right customers."

Evolving broker role

The ability to make the most of the opportunities will depend on the position that insurers and intermediaries hold in the SME market. Brokers hold sway at the moment, but they have a fight on their hands to retain their dominance in distribution.

The good news for brokers is that just under 12% of those canvassed think direct writers will have pushed them aside to become the dominant force by 2025 (See > 22

Figure one: What do you see as the biggest opportunities in SME insurance?

Rank	Option
1	Adoption of new technologies [automation, Internet of Things, robotic process automation] to assist in selling SME insurance
2	Using data more efficiently
3	Increasing online sales
4	Boosting offerings with additional services like risk management tools
5	Cross-selling cyber insurance
6	Launching products aimed at micro-businesses/sole traders
7	Launching specialist schemes
8	Acquiring complementary businesses/books of business
9	Cross-selling directors' and officers' insurance
10	Upward rating/pricing of risks
11	Launching products aimed at those engaged in gig economy/freelancers
12	Cross-selling personal lines products such as high net worth

Respondents were asked to rank up to five of the options provided in order of significance

Figure two: Which of these sentences do you agree with most?

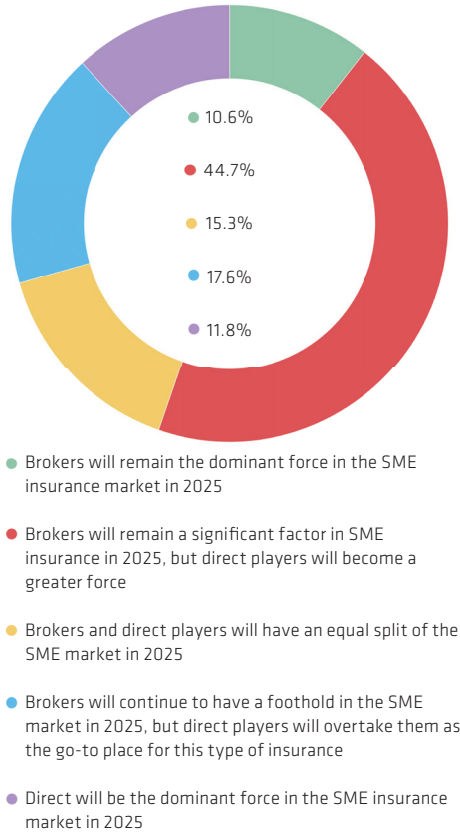


Figure three: Which of these sentences do you agree with most?

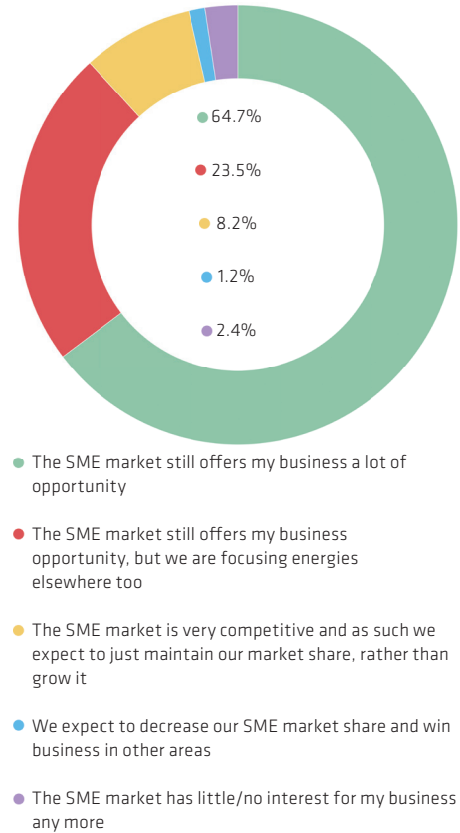


figure two). However, there is another 18% that think that while direct writers might not become dominant in the next six years, they will have done enough to overtake brokers as the first port of call. That still leaves 70% who believe brokers will at worst have an equal split of the SME market in 2025, and at best remain the overwhelming distribution channel of choice.

“Brokers that have got a range of customers from the micro end up to medium-sized business, should think about where they are going to focus their energy and effort going forward.” Paul Tombs

If brokers want to retain and build on this position, they cannot be complacent and must evaluate their current service offering, before evolving it quickly to meet the changing market dynamics.

That evolution is partly around what they offer, but largely around how they go about delivering it in today’s fast-changing market. Deepak Soni, director of commercial intermediary at Axa, explains: “Brokers can still provide guidance, choice, value, service and peace of mind. These are the fundamentals that sit behind how a broker displays their value. But how they actually

deploy that value is changing.” Tombs adds: “Brokers need to think about how they invest in their own websites and how they have previously gone about attracting customers.” He believes they can no longer rely

on word of mouth and must make sure they are driving traffic to their website from the type of customers they want. And attracting the right segment of SME customers will be crucial to future success because providing a one-stop-shop for such a diverse market is so difficult. Tombs says: “Brokers that have got a range of customers from the micro end up to medium-sized business, should think about where they are going to focus their energy and effort going forward, and whether they have the right model to be able to support all of those customers.” To stay on top brokers will need to appraise and improve their models quickly given the level of competition in the market. A meagre 11.8% of those spoken to by *Post* said they expected to at best just maintain or reduce their SME market share (See figure three). The other 88.2% felt the SME market still offered opportunities to explore, suggesting the fight for clients will only get fiercer.

Figure four: What are the key aspects in the relationship between SMEs and brokers? In particular, what is the added-value perceived by an SME in dealing with a broker?

Rank	Option
1	Access to a wide range of products
2=	Getting best value for money
2=	Consultancy
3	Claims support
4	Getting more comprehensive insurance coverage
5	Placing non-standard risks
6	Process simplification
7	Speed, saving time
8	Delegate tasks or paperwork

Respondents were asked to rank up to three of the options provided in order of significance

One strategy that builds on the need to segment the broad SME sector, is the drive towards developing niche expertise. Helen Bryant, director of SME markets and corporate partner at Allianz Insurance, comments: "Despite wider UK economic uncertainty, overall the SME market is growing and is forecast to continue to do so. The fastest growing sectors are professional services and IT, while the biggest opportunities are likely to be in the micro-SME space."

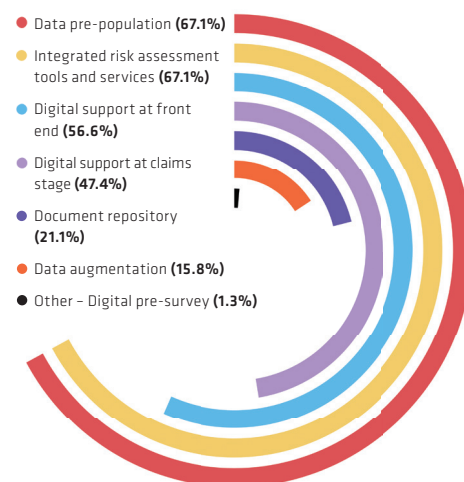
Developing specific areas of expertise is not a new tactic and insurers and brokers have been re-inventing and positioning themselves as specialists for years. The challenge now is to deliver that focus in the digital world, when there is increasing upward pressure from direct writers attacking the micro end of the market.

Developing relationships

The research found that longstanding pillars of the relationship between brokers and SMEs remain relevant today (See figure four). Access to a wide range of products, which has long been a differentiating point for brokers, came out of the research as the most important keystone in the relationship. This was backed up by other commentators.

Bryant said: "Independent research by Allianz found breadth of cover is the top priority

Figure five: Looking at an SME's user journey, what kind of processes or aspects would you improve?



Respondents were asked to select three of the options provided

for SMEs when purchasing business insurance. It is encouraging that SMEs recognise the need for advice to ensure their business risks are appropriately understood and managed."

The struggle to provide guidance and advice in the price-driven and commoditised personal lines sector is well documented and that fight has now arrived on the shores of the SME market.

Value for money and consultancy came equal second in the survey and there is no surprise that customers want more bang for their buck. But it is important to recognise that choice and value for money are unlikely to be enough for brokers to set themselves apart in the future. The need to create a consultative offering has become essential if they want to succeed.

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This experience is encouraging the market to move quickly in developing and delivering the new services that will allow individual

practitioners to stand out. When asked what processes or aspects would help improve an SME's journey data pre-population and integrated risk assessment tools and services came joint top. Digital support at front end and claims stage came third and fourth respectively (See figure five).

Soni says: "In the broker space, we are trying to help on the service side. One thing is around customer information and tracking claims, for example. We launched something called E-Serve a couple of years ago that brokers and customers can use to track how things are progressing. Who is dealing with the claim? What stage is it at? And so on. That has been very effective and we are now evolving it to create extra value."

Building on the ability to keep customers informed, there is also a lot of work being done to give customers the tools they need to better understand their own risks and exposures.

For example, to combat under insurance, Trivett, says: "We are launching a business interruption calculator on our commercial combined product to help work out the required indemnity period and sum insured."

Nor does he believe such risk management tools are only for bigger customers. He adds: "Increasingly we are moving into a

virtual space and that is something that we can do in terms of offering free online risk management consultations. Customers tell us about their business and their existing risk mitigation strategies and activities, and we then work with them on an effective risk management programme."

It is not just a case of making policy documents and relevant information available electronically. It is about devising ways of engaging with clients digitally. It is about enabling them to get quick and ready access to information that is relevant to their business, and better supports their journey towards understanding their exposures, enacting effective risk management and buying the most appropriate insurance. > 24

< 23 SME insurance buying journey

The SME insurance journey is ripe for improvement. But going digital should not come at the expense of everything else. Nor should quality be sacrificed in the search for simplicity.

Making this point, Cathy Taylor, head of commercial underwriting and operations at Ageas, says: "There is no doubt that the customer journey can be improved, both in terms of speed and the nature of the questions – some of which require expertise that the client may not have. There is a wealth of external data now widely available to insurers, either in the public domain or via specialist suppliers. The industry needs to raise its game and optimise this data for the benefit of all parties and in fairness to the customer."

Trivett adds: "We should be asking less questions as there is more underwriting information out there and not just the old standards we have always relied on, but also new social media data, for example, that has not previously been used in rating."

It is also true that buyers' expectations are changing and the insurance market must balance their growing demands with the need to serve them effectively.

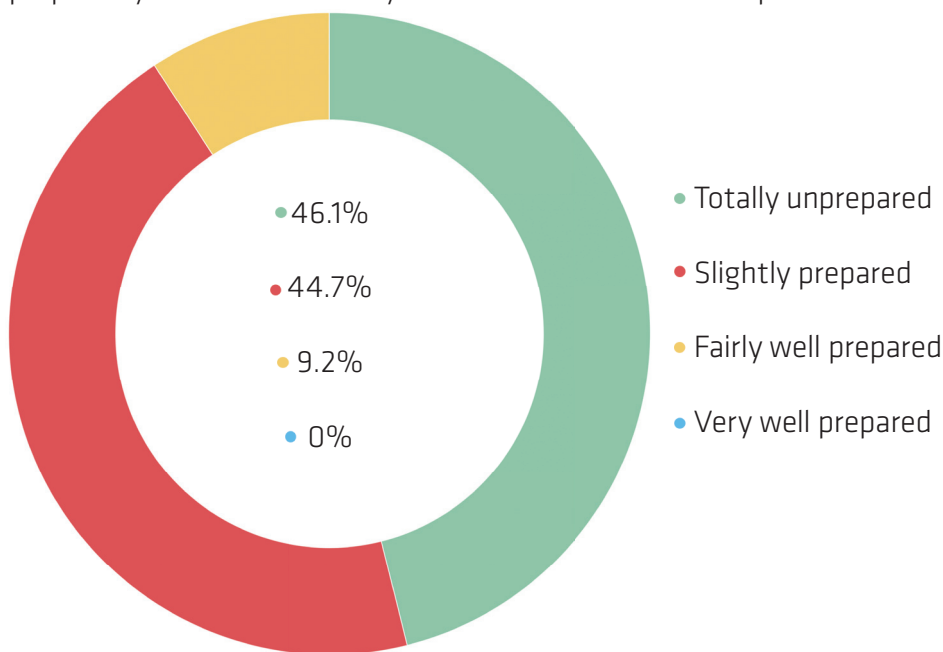
Soni comments: "As customers we have gone from wanting physical contact of sorts to being provided with all sorts of digital mechanisms, and there are a lot of people who want a hybrid. Can they get the convenience and self-service they want? Can they get support when needed? I think increasingly we are looking at multi-channel offerings, but we are not there yet."

Cyber – risk in focus

In addition to the change in product and service delivery that is required to succeed in the SME market, there are also growing exposures to deal with. Perhaps the biggest is cyber and whether it is a data breach, a malicious hack or a service outage, SMEs are under threat.

Tombs cites Zurich research that found one in six UK SMEs had suffered a cyberattack in the last 12 months. He adds: "Of those affected, over 20% said it cost them more than £10,000 and 10% said it cost more than £50,000. We found that around half of SMEs planned to spend less than £1,000 on cyber security in the next

Figure six: How prepared do you think SMEs are in terms of their overall propensity to be a victim of cyber attacks and their consequences?



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12 months despite these challenges and their potential impact."

This view was reflected in *Post's* work and 91% of those questioned believed SMEs were "slightly" or "totally" unprepared in understanding their likelihood to be the victim of a cyber attack (See table six).

The view is that SMEs do not see themselves as valuable targets for cyber criminals and hence feel they are not risk. However, this underplays the fact that many attacks come from disgruntled employees or are a result of employee errors.

The upside is that growing areas of exposure such as cyber create excellent opportunities for insurers and brokers to develop and deploy new approaches. Online risk management tools, video tutorials, infographics explaining the risk, and crisis management tools will all add value.

Providing such tools will help brokers develop the consultancy-based relationship

that is going to be so important, while doing it digitally will afford customers the self-service, speed and convenience that they want.

This education-led approach will help inform SMEs of the exposure they face, while enabling brokers and insurers to position themselves in more of a consultative role.

Stealing a march

The battle for the SME market is well underway, and while the switch to digital is creating new customer experience expectations and distribution capabilities, these must be married to the traditional fundamentals of risk management, accurate underwriting and service that have always underpinned the best operators in the market.

Those that strike the best balance between the old and the new will steal a march on their competitors in this fast-moving sector. ■