

COVÉA CONVERSATIONS



WITH NICKI CRABB

In a recent podcast we discussed insurance education for small business owners. Nicki Crabb, Head of SME and Schemes Trading, was joined by Tom Hepworth, Research and Insight Manager, and a special guest, Lea Cheesbrough, CEO of MOVO Partnerships. The podcast discussed some recent research that was conducted with 190 small business owners, analysing the data and improving insurance education for all. This article delves into the conversation from our podcast and highlights the key points.



Complexity

We know business insurance can be a complex product, one in four people we spoke to, as part of the research conducted, said they find it difficult to understand the business insurance product, and one in six find it difficult knowing which product to choose.

Business Insurance cannot be commoditised the same as travel, pet, and motor insurance. There is ever-changing legislation that affects business insurance which can be difficult to keep track of as a small business owner whose expertise may lie elsewhere.

As an industry, we should be making sure insurance is accessible and understandable by all, it's critical that people are protected by insurance. There is support out there for small businesses. BIBA for example have their 'Find a Broker', which is a useful tool, and there are other websites and organisations that provide useful resources as well.

Insurance Moving On

Previously customers would have been educated on the importance of insurance by conferences, talks and visits to schools and colleges. As the world has changed and moved to a digital culture, we are seeing both Insurers and Brokers start to embrace social media. A lot of our customers will consume content on social media so it's a great place to get information and messages out.

Through education, customers will gain knowledge of the risks they are exposed to as a business and this should mean they are more confident in their insurance decisions. It will also give them confidence in speaking to a broker, as they can understand their role in the industry and follow their advice.

Why use a broker?

MOVO conducted some of their own research too, and they found that most of their customers, before working with them, didn't understand the role of a broker. There is also a common misconception that going to a broker costs more than going direct to the insurer. There are 2,700 independent insurance brokers in the UK, so business owners shouldn't need to navigate insurance on their own.

MOVO also found that a lot of their customers come to them for advice after purchasing their own insurance independently and have then experienced an issue. In just 6 years, the number of brokers in the UK has reduced from 7000 to 2700, this has been driven by mergers and acquisition activity.

The changing Broker distribution landscape can mean that some communities no longer have a local broker that SME businesses are able to speak to for advice.

Research

As part of the research we conducted, we gave business owners 3 three hypothetical scenarios. One of these scenarios was, if they were to make a claim for property/stock/tools but the claim they make is greater than the amount they disclosed the items were worth, what would happen? From this, we found that one in three business owners didn't know the consequences of undervaluing items. Many thought the claim would be paid out in full regardless.

Also, we found that three in five SME business owners didn't know that both compulsory and voluntary excesses can be incurred when claiming on a policy. This means some are potentially entering a higher voluntary excess with a view to reduce premiums, then when making a claim, their excess could be higher than the claim amount.

Understandably with the current cost of living crisis, businesses like everyone are looking to save money. Without knowledge of insurance, businesses may reduce their premiums but end up with an insurance product that doesn't fully cover them when they need to make a claim.

Conclusion

As an industry we have a responsibility to make insurance accessible for all. At Covéa our strategy is focused on our intermediated partners and brokers. We are working with our brokers to help raise awareness of the importance of using brokers to help customers make the right decisions.

We are trying to make terms and policy wordings clear and easy to understand. We will continue to raise the awareness of the importance of insurance and highlighting the risks of not having the right insurance in place.

