



**SERVING THE INSURANCE
NEEDS OF THE DYNAMIC
SME MARKET**

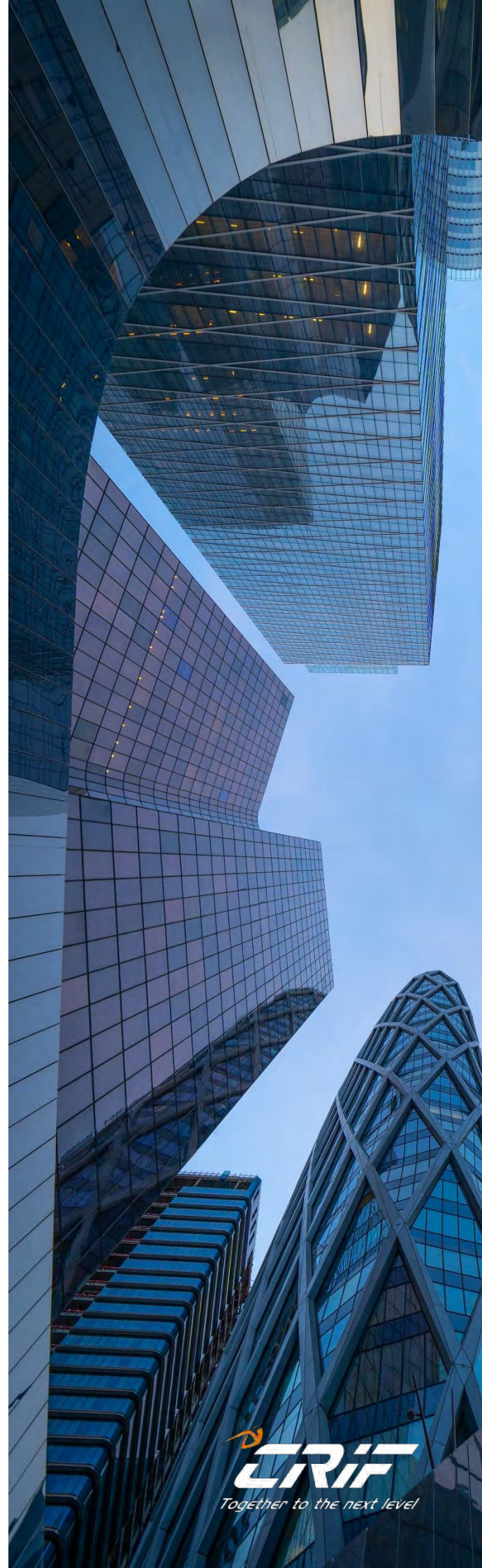
Understanding the SME Insurance Market

The small and medium-sized enterprise (SME) market is both vibrant and complex, offering significant opportunities and challenges for insurance providers.

As of 2023, the UK's SME sector was made up of 5.5 million businesses, which is more than 99% of the UK's business population. Referred to as the backbone of the UK private sector, they account for three-fifths of the employment, at 16.7 million, and around half of turnover, estimated at £2.4 trillion.

The scale of the insurance opportunity is clear, but SMEs come in different shapes and sizes, operate in thousands of different industries, and their insurance needs rarely fit neatly into the boxes designed by standard cover offerings. SME owners, often with complex insurance needs, are seeking the right advice and the right cover at the right price. Insurance providers meanwhile can struggle to understand the true risks involved, compounded by the agile nature of many SME businesses and their ability to diversify and adapt to their markets to maintain and grow revenue streams.

New risks can emerge rapidly in such a dynamic operating environment.



Challenges of Underinsurance and Overinsurance

Underinsurance, fuelled by a lack of true understanding of the cover required by an SME business, remains an ongoing problem.

Overinsurance, too, can be seen in cases where a packaged product is sold either due to lack of flexibility or poor sector knowledge, preventing the insurance provider or broker from pinpointing and tailoring cover to only relevant business risks.



Complexities in Understanding Insurance Policies

SMEs struggle to understand the details of different policies and the benefits of more expensive and more comprehensive cover. This can lead to price-led buying decisions. Some SME business owners are overconfident in their understanding of their insurance needs, believing they are informed and have the right cover in place. They are faced with extensive choice from a wide range of SME insurance products and, in reality, often have limited knowledge of their insurance needs as related to their business and its sector. Some examples of this are indemnity periods and sums insured which are closely linked to underinsurance.

Many business owners underestimate the length of time it would take them to return to normal trading following a loss, leaving them at considerable financial risk. Similarly, business owners using a market valuation of their property as an estimate of rebuild costs, as opposed to a professional reinstatement cost valuation, leave their business potentially exposed to a significant shortfall in the event of a property reinstatement claim.

Low take-up of cyber insurance within the SME market is another example of business owners not understanding how the risk applies to their company or its data and disregarding the threat because they mistakenly believe cyber criminals are not interested in targeting SMEs. Or the fact that sometimes small and medium-sized businesses find it difficult to measure the effects of climate risks and properly insure their assets to be resilient.

Opportunities for Education and Relationship-Building

There is a very real need for education around the different SME insurance propositions and their benefits. This in turn represents an opportunity for insurance providers and brokers to build trust and meaningful relationships with their SME customers and prospects.

Business owners are time-pressured and price-sensitive; the ability to demonstrate knowledge of and expertise in their sector and its associated risks and to tailor cover accordingly will differentiate an insurer and broker, influencing an SME owner's choice of provider, openness to advice, and subsequent decision-making.



Data's Role in Enhancing SME Insurance

For insurance providers and brokers, delivering the necessary expertise to ensure an SME has the right insurance cover in place can be challenging, with growing numbers of businesses turning to online channels to source their insurance.

Data has an invaluable role to play in providing customer insight and avoiding insurance becoming merely a transactional, price-led purchase, with cover needs predominantly generated by an applicant's answers to an ever-increasing list of questions.

The risk of misinterpretation leading to unintended misrepresentation is also ever-present.

Leveraging Data for Tailored Solutions

Insurance providers who invest in data-led solutions to improve the customer journey and the quality of information received gain competitive advantage. Data can offer a greater understanding of customer needs, wants, and pain points. It can be leveraged to help insurance providers move the customer experience away from the transactional by helping them to better know and understand the SME business, its assets, and the risks it faces.

Opportunities for delivering added value can be identified, including ongoing touchpoints and timely advice related to emerging sector risks. All of which leads to insurance that is tailored to business needs, relationships which become deeper and long-term, and opportunities for organic growth.






Innovation and Future Growth in the SME Insurance Market

Serving the dynamic SME market can be made easier through the intelligent use of data.

Insurance providers and brokers who innovate, harness new data solutions, and adopt ways of working that mirror the entrepreneurial culture of the UK's SMEs are set to thrive and grow profitable market share.



CRIF has a suite of fraud prevention, pricing sophistication and digital solutions aimed at supporting insurers in properly identifying new customer as well as preventing and detecting insurance fraud.

CRIF is a global Fintech company specialising in the development and management of credit bureau services, business information systems and credit solutions. CRIF has an international presence, operating across four continents (Europe, America, Africa and Asia) and supporting over 10,500 banks, 600 insurance companies and more than 90,000 business clients in 50 countries.

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