

Do SMEs need an insurance broker?

Many professional SMEs forgo using a broker to secure their insurance, but this is a risky practice that could cost them when it comes time to make a claim



When buying insurance, it can be tempting to assume that most policies and approaches are similar and therefore the only real differentiator is price.

But the reality of the insurance market is much more nuanced, complex and, potentially, risky. This is why insurance brokers exist.

Brokers have been around for as long as insurance, and they continue to play a vital role in the flow of information between client and insurer, helping to secure the right cover at the best possible price.

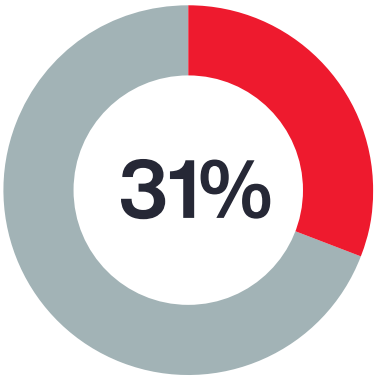
They act as guardians for their clients' interests in what is often a very competitive, fast-paced and confusing commercial landscape. They are there to simplify complexities, make the impossible possible and provide SMEs with the peace of mind they need to get on with running their businesses.

Despite this, research by Aon found that most professional SMEs aren't taking advantage of the benefits of using a broker. As a result, many may not have the right cover for their needs and could be leaving themselves underinsured, resulting in nasty surprises when it comes to making a claim.

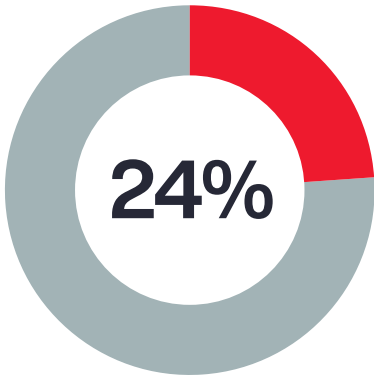
Aon spoke to more than 600 decision-makers and influencers in the professional SME space and found that only 29% had used a broker to source and place their insurance. But when the data is broken down by profession, it is revealed that some sectors are more likely than others to use a broker – and that these sectors appear to be reaping associated benefits.

IFAs used insurance brokers at almost twice the average rate, with 58% saying they had done so. It was a similar picture for the health and social care sectors, with 52% of SMEs operating in this space reporting they had used a broker.

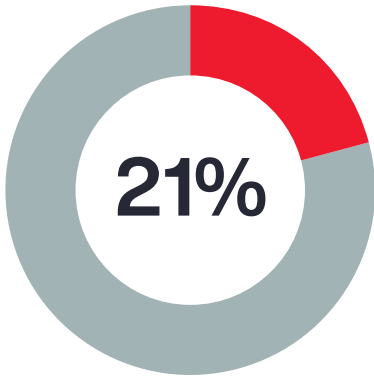
But other types of SMEs were far less likely to use one:



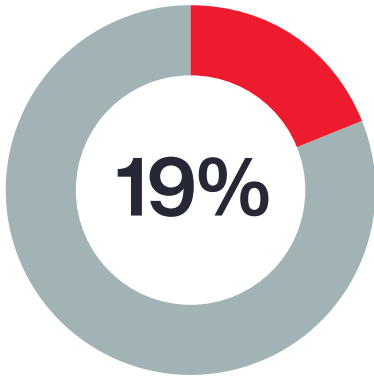
of construction SMEs used a broker



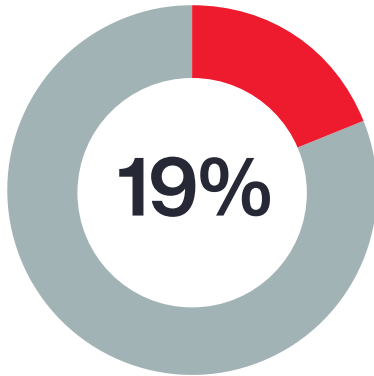
of management consultants



of accountants



of IT consultants



of recruitment consultants

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While most SMEs were highly confident that they had the right insurance in place (94% were either fairly or very confident), that confidence appears to be based more on assumption than fact. When we examine the outcomes, the true value of using a broker begins to emerge.

As part of the survey, respondents were asked if they had stopped buying certain types of cover. An average of 14% across all sectors had elected to do so to help manage an increasingly expensive insurance market and offset pandemic-induced cash-flow issues.

However, those sectors most likely to use a broker – IFAs and health and social care – were much less inclined to shed cover (at 3% and 6% respectively), suggesting they are receiving appropriate advice from their insurance broker about what is and isn't important and how best to save money while keeping their business safe.

Ultimately, having the support and insight of a broker appears to make it much more likely that SMEs will have a good claims experience.

When asked if they had ever had a claim turned down, 16% of SMEs said they had. But for IFAs and health and social care providers, that percentage is much lower, coming in at 10% and 5% respectively.

Compare that with the two sectors least likely to use a broker – IT (21%) and recruitment consultants (41%) – and it seems clear that using a broker puts SMEs in a much more secure position.

“With a broker, you can have that proper discussion, understand your risks and make informed choices. You can help identify what cover you need to buy and what is affordable within your budget,” says Phil Thorn, MD of Aon's Coverwallet.





Contact Us

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