



The future of small business insurance

What do customers want?

November 2022

Contents

1.0 Introduction	03
2.0 Management Summary	04
3.0 Findings	05
3.1 The pandemic reinforced the value of SME insurance	05
3.2 SMEs want a trusted advisor and digital channels	09
3.4 SMEs want pro-active advice and services beyond insurance coverage	13
4.0 Conclusion	17

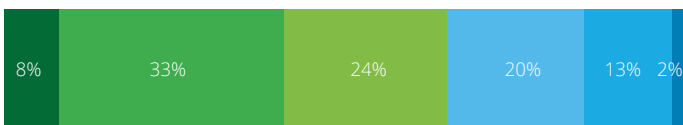
Introduction

The Swiss SME segment represents more than 99% of companies in Switzerland and accounts for almost two-thirds of the country's jobs. It is a segment where insurers have tremendous opportunities to grow and provide additional protection and advisory services.

Deloitte surveyed 5,300 SMEs (defined as companies with 5 to 75 full-time employees) including 400 in Switzerland, to gain deeper insight into their views on insurance and translate them into specific recommendations for insurers. The SMEs included in the sample are intended to be representative of the SME market in the 14 countries studied. However, Deloitte has commented on regional variations where appropriate, highlighting outliers and shedding light on possible explanations.



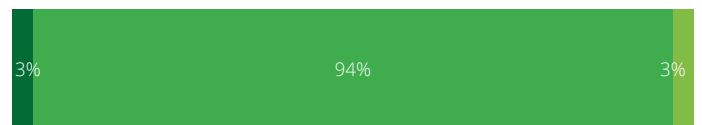
Figure 1
Annual Revenue (SMEs)



■ CHF 0.35M - CHF 0.64M ■ CHF 0.64M - CHF 1.3M
■ CHF 1.3M - CHF 3.0M ■ CHF 3.0M - CHF 6.4M
■ CHF 6.4M - CHF 13.0M ■ Unknown



Figure 2
Age (respondents)



■ 18-34 ■ 35-54 ■ 55+



Industries represented

Financial & Legal services; Construction and Transportation; Education; Manufacturing; Media, Marketing, Advertising, PR; Retail, Hospitality, Entertainment; Professional, Scientific or Technical services; Medical & Health services; Technology; Charity



Figure 3
Full-time employees (SMEs)



■ 5 - 9 ■ 10 - 19 ■ 20 - 29 ■ 30 - 49 ■ 50 - 75

Management Summary

Small business insurance has been much discussed during the past five years. Small businesses are changing their business models, opting, for example, for digitally enabled operations to reflect evolving consumer behaviours, in particular following the global pandemic. This report shows that trust in insurers and the perceived value provided by them is high. Three key trends were identified:

01. SMEs increasingly see the value of insurance

Swiss SMEs have reported greater trust in their insurer or intermediary since the outbreak of the pandemic and their level of trust in insurers seems to be at an all time high. Insurance is perceived as an “experience good” and the positive experience provided by insurers during the crisis truly mattered to SMEs. And yet, while trust is high, more could be done. Many SMEs expressed an appetite for more advisory services and products better suited to protecting their businesses. This could create new growth opportunities.

02. SMEs want a trusted advisor and digital engagement

SMEs want both a trusted advisor and digital channels. A one-size-fits-all approach is unsuitable for managing the engagement preferences of customers, as the choice of how SMEs engage with their insurance provider is driven by the characteristics of the person buying the insurance, not the company or underlying industry. SMEs value the personal interaction with agents and especially brokers, while digital engagement with their insurance service provider is also growing in importance. Incentivising and enabling brokers and agents to become better advisors will create opportunities for bold, growth-focused organisations.

03. SMEs want advice and a holistic service offering more than just insurance

SMEs are looking to their insurance providers for offerings beyond traditional insurance coverage. They are interested in purchasing additional services to protect themselves and in obtaining advice on the key risks faced by their business. Swiss SMEs are open to purchasing insurance coverage and services from non-traditional players, such as large technology companies. Insurance providers that better understand SMEs can expand their offering beyond their traditional products and services by providing advisory services and leveraging partners and ecosystems.

We believe that a sharpened focus on SMEs’ expectations could provide a significant opportunity to grow.

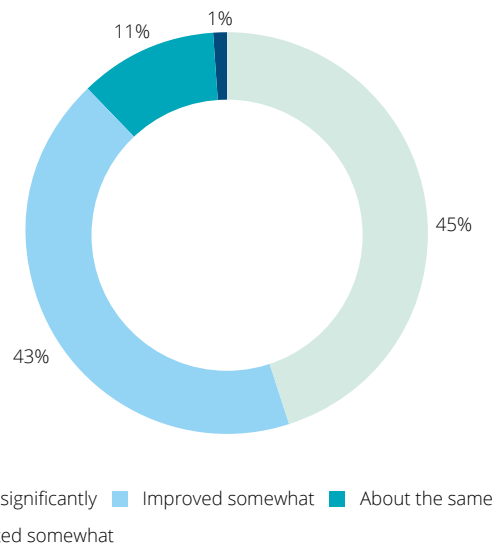


Greater trust in insurers in the post-COVID world

Rather than harming trust in insurers, COVID has strengthened it. In total, 99% of Swiss SMEs trust their insurer or intermediary as much or more than before the pandemic (Figure 4). The level of trust has risen despite negative Swiss press coverage of delays in insurer payments in response to business interruption claims.

The main reasons for the increase in trust were offers by insurers or intermediaries of **additional services to help with difficulties** (e.g., financial advice), **payment of some claims as a gesture of goodwill, accelerating the payment of claims, and temporary premium discounts.**

Figure 4
Change in level of trust in insurers since the COVID-19 outbreak



International observations

The same trend can be observed across almost all other countries examined by the global survey. Those that reported a deterioration in trust cited a lack of support during the pandemic or not being covered as expected.

An exception is Norway, where only 64% of SMEs said they trust their insurer/intermediary. This is perhaps explained by the fact that 90% of SMEs surveyed in Norway reported that they had “tried” to make an insurance claim since the pandemic began, compared with 70% across the other countries.



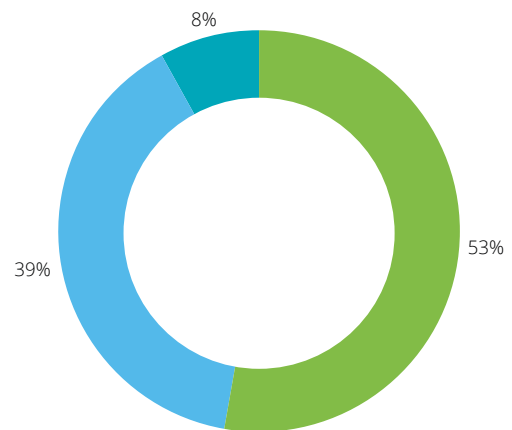
After COVID, Swiss SMEs expect to increase their insurance spending

Post-COVID, SMEs are more aware of their risks and vulnerabilities and are likely to increase their insurance spending. The survey shows that even in a **mature market like Switzerland, 53% of Swiss SMEs are expecting to spend more on business insurance in the near future.** However, 39% of SMEs also expect to decrease their insurance spending (Figure 5), which leaves a 14% net change in purchase likelihood.

International observations

SMEs in less mature markets are planning to increase their spend on insurance even more, with a net 26% of SMEs expecting to spend more on business insurance in the near future.

Figure 5
SMEs plan to spend more on insurance



■ I expect to spend more on insurance ■ I expect to spend less on insurance
■ I expect my spending to stay the same

55%

My business is more financially vulnerable to damage and losses

41%

I want to avoid any future losses that the business suffered due to the pandemic

The main driver for purchasing more insurance among Swiss SMEs is their increased vulnerability to damage and losses in the post-COVID world as well as the desire to avoid future losses.

Another key driver is better awareness and understanding of (non-) coverage offered by their current policies. The responses of Swiss SMEs reflect international trends.

41%

I am more aware of the risks my business faces

36%

I better understand the risks that my business needs protection from

35%

I understand better what is covered and not covered under current policies

Top 10 risks where Swiss SMEs want to add protection

The events of recent years have demonstrated to Swiss SMEs the potential impact of systemic risks and other potential “black swan” events. This has changed their preferences for the new types of coverage they may be looking to add to their portfolios. In Switzerland, 34% of SMEs indicated that they would like to add protection from systemic risks to their portfolios, followed by cover for professional liability (31%), and - surprisingly - earthquake damage (25%).

At the same time, there is still strong demand for more traditional insurance coverage which retains its relevance in a changing world.

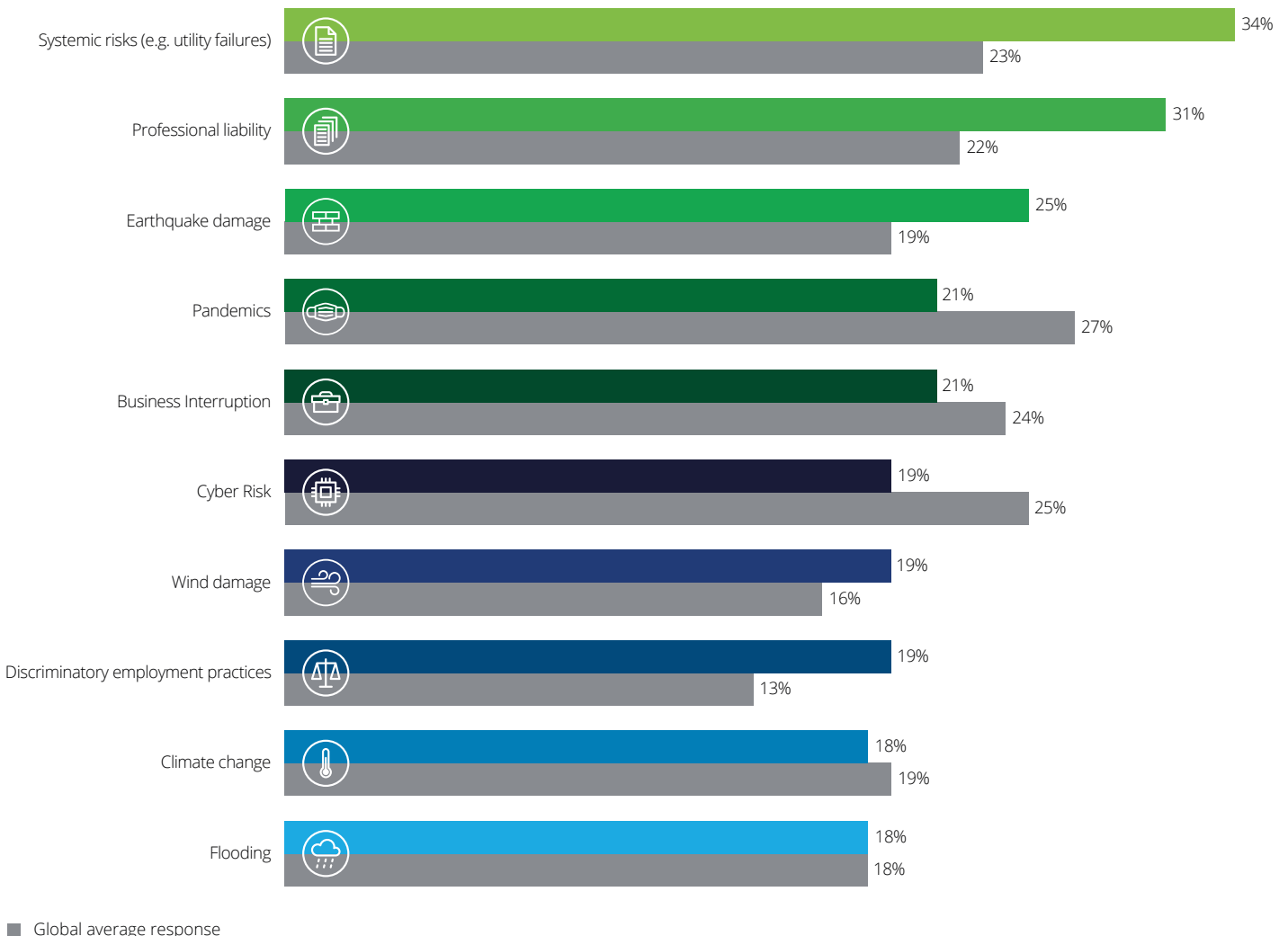
Interestingly, climate change, another globally discussed topic in 2021, did not appear among the top risks most sought out by Swiss SMEs, with only 18% of those who are not covered at present expressing interest in adding coverage against the risk.

International observations

Compared to other countries, Swiss SMEs are less interested in adding additional coverage against future pandemics and they prefer to focus on systemic risks and professional liability.

Figure 6

Top 10 risks not currently covered for which SMEs would like to add coverage



[Our take] Swiss insurers should leverage the high level of trust and offer new types of coverage

Despite some media reports of insurers mishandling client claims early in the pandemic, the **majority of Swiss insurers seem to have handled the pandemic well**, resulting in the current high level of trust from their clients. Swiss SMEs reported greater trust in their insurer or intermediary since the outbreak of the pandemic.

Those that reported a deterioration in trust cited a **lack of support throughout the pandemic or not being covered as expected**. This evidence indicates that trust was linked to the provision of services to support SMEs through challenging times. **Insurance is perceived as an “experience good” and SMEs’ positive experience in the pandemic truly matters**. Strong relationships and proximity to the clients was probably key to acting quickly and appropriately to preserve the relationship throughout this challenging time. Swiss insurers ought to take this opportunity to build on trust before new entrants appear to challenge their position.

More could certainly be done, however. Many SMEs expressed an **appetite for more advisory services** and provision of additional services and **products better suited to protecting their businesses** from the risks to which they are exposed. The events of the past two years have changed SMEs’ demands and created a stronger need **for coverage against systemic risks, business interruption and natural risks**. Insurers have to reflect the changes in the market and proactively offer new products that are better suited to their clients’ needs. Insurers should take the increased interest in insurance products among SMEs as a sign of future growth to come from the segment and should move quickly to design new products and propositions, aligned to these evolving needs. At the same time, the **demand for “more traditional” cover, such as for professional liability protection or car/fleet insurance, remains high** and insurers have to make sure that they are offering up-to-date, attractive protection in these areas, too.



SMEs choose intermediaries they are comfortable with

The SMEs surveyed would prefer to work with an intermediary rather than the insurer when purchasing business insurance in the future.

Responses from the Swiss market are consistent with the global preference for **buying from intermediaries rather than from insurers.**

Figure 7
Preferred channel for purchasing or changing business insurance in the future



Figure 8
Preferred channel for making a claim in the future

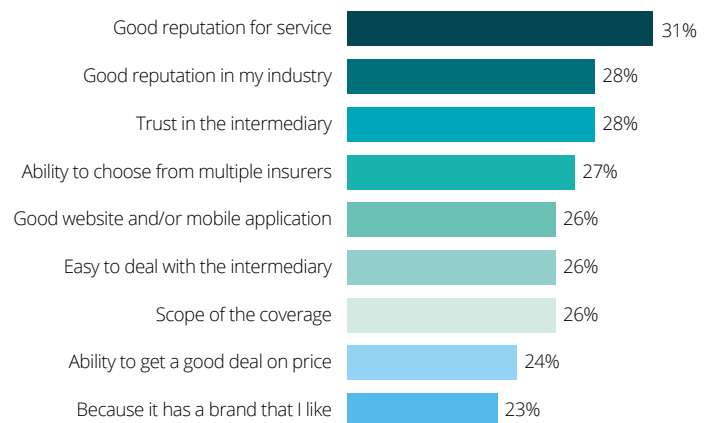


SMEs are looking first and foremost for a trusted relationship and high quality service, less for a “good value deal”. Intermediaries seem to be currently better positioned to meet these needs than insurers (Figure 7).

Choosing an intermediary is first and foremost a matter of reputation and trust. When respondents were asked about the most important reasons for choosing their insurance intermediary, the top three reasons were having a good reputation for the offered service (31%), good reputation for serving the respective industry (28%), and trust in the intermediaries themselves (28%). The ability to get a good deal on price (24%) ranked sixth - indicating again that SMEs value service over price when it comes to business insurance.

This reinforces the view that SMEs are looking for a comprehensive offer, including better advice delivered by a trusted advisor.

Figure 9
Reasons for choosing an insurance intermediary



SMEs want to buy online – from an intermediary rather than the insurer

The majority (2/3) of SMEs would like to be able to obtain information via online channels. Many Swiss SMEs are open to buying more insurance online - more than their peers in other countries (23% global average vs 36% in CH).

While face-to-face meetings are important, there is also growing interest in buying insurance over intermediaries' websites.

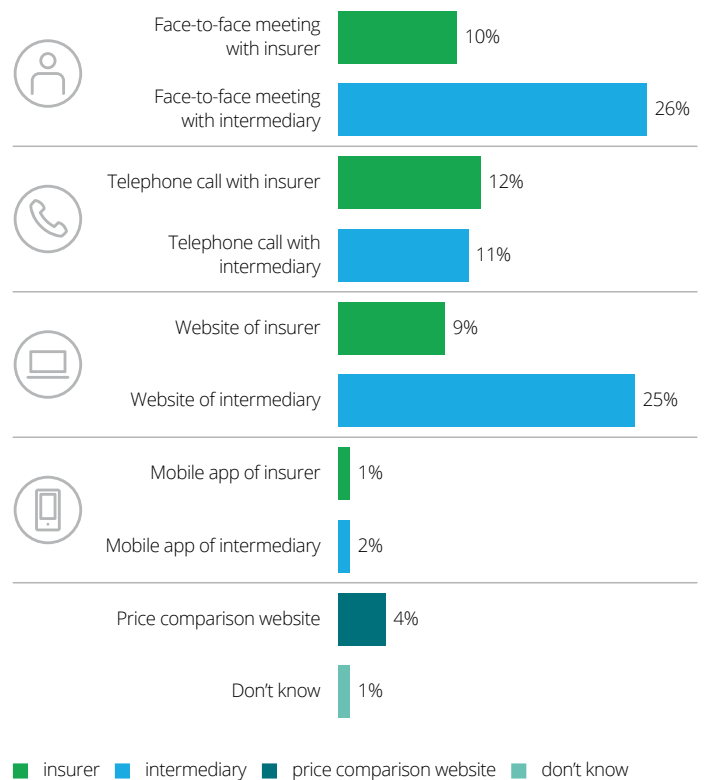
International observations

Of all the surveyed countries, Switzerland indicated the greatest desire for digital purchasing in the future.

The survey reveals that, contrary to conventional wisdom, the likelihood of an SME shifting to digital channels in the future is strongly influenced by the characteristics of the insurance purchaser and primarily driven by age, not the industry or size of the business. Younger purchasers are more likely to use digital channels.

A similar pattern emerges when looking at how long the purchaser has held business insurance. Adoption rates for digital engagement are higher among those who are less experienced or newer to the industry. There is minimal variation between industrial sectors in SMEs' use of websites for insurance transactions.

Figure 10
Preferred channel for purchasing business insurance in the future



SMEs want the human touch

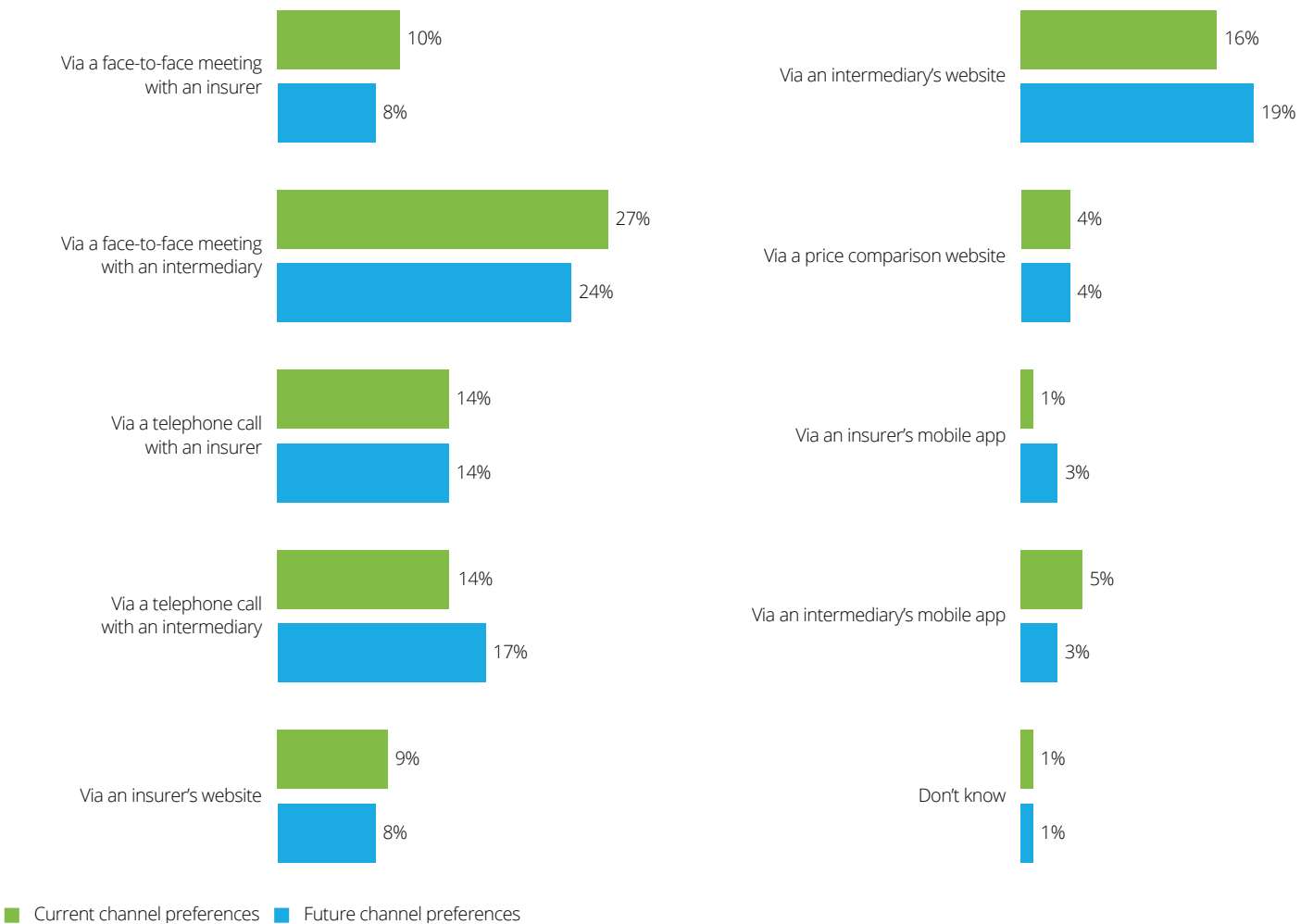
SMEs want the human touch. When they change their business insurance they prefer to interact in a personal conversation, face-to-face or by telephone.

SMEs prefer working with their intermediaries (rather than directly with insurers) when making a change to their policy or making a claim. The results are similar for making a change to cover and making a claim.

International observations

However, Swiss SMEs are more open to switching to websites than their peers in other countries when changing their business insurance or making a claim.

Figure 11
Preferred channel for making a change to business insurance



[Our take] Equip your agents and brokers with the tools to grow SME business

A one-size-fits-all approach is unsuitable. The survey shows that how SMEs choose to engage with their insurance provider is driven by the characteristics of the person buying the insurance rather than the underlying characteristics of the business or industry. The age of the individual purchasing the insurance is the biggest driver for how SMEs research, buy, and manage insurance (e.g., digitally, by phone or in-person). A sophisticated segmentation approach is therefore needed. To succeed in the SME segment insurance providers need to offer an omnichannel servicing model. SMEs' trust and relationships with agents and brokers must be leveraged by becoming even better advisors. At the same time there should be further investment in direct purchasing and servicing models, supported by a highly tailored and comprehensive suite of products and services across both broker and internal channels.

Enable your agents and brokers to become better advisors.

SMEs value greatly their relationship with a trusted agent or intermediary. To build and maintain a trusted relationship, human interactions are important. It is therefore essential to prioritise digital enablement of agents and intermediaries. Data and insights can help create offerings tailored to the risks of individual SMEs.

Incentivise agents and brokers to spend time with their SME prospects and customers.

Selling to and advising SMEs must be as simple and profitable for insurance agents and brokers as for the private customer segment. Not only the customer experience but also the agent and broker experience is key. A shift away from a deal-centric to an action-based compensation model might better support the alignment of the distribution workforce. Strategic business goals such as customer-centricity and holistic advice can help meet the demands of an increasingly hybrid customer base.

Enable your brokers to seamlessly integrate into your value chain.

Broker process and platform integration is still underdeveloped and should receive at least the same priority as the insurer's own channels, given the SMEs' preference for working with intermediaries.

Accelerate omnichannel as a priority

Omnichannel has been a topic for more than a decade, but insurers are lagging behind other industries. Different channels are often still managed and developed relatively independently. A heterogeneous landscape with many touchpoints and inconsistent customer experience persists. Simplifying the IT and data landscape to create an inspiring and coherent customer experience will create opportunities for bold, growth-oriented organisations and pose a threat to those who stick with the status quo.



Demand for services beyond protection – SMEs want Cover +

SMEs are looking to their insurers to provide services beyond insurance protection. 97% of SMEs surveyed in Switzerland are open to new and different services from their insurer, encompassing non-traditional, non-insurance services.

20% of SMEs in Switzerland would use climate change advice if offered by their insurer but did not express strong interest in buying additional insurance coverage against climate risk. This means that SMEs are probably more interested in using insurers' climate expertise to become more resilient than in adding additional coverage.

SMEs also showed an appetite for risk advisory services to help better understand and mitigate risks. These services include in particular advice on systemic risks faced by business (26%), legal advice (24%), financial advice (18%), general risk management advice (14%) and cybersecurity (12%).

Figure 12

SMEs would use these services if offered by their insurer



International observations

SMEs in other countries exhibited greatest interest in cybersecurity (21%), while SMEs in Switzerland had the lowest level of interest in this service (12%). In Switzerland SMEs were most interested in climate change advice (20%) compared with an average of 16% across the countries in the survey.

Non-traditional insurance players pose a real threat to incumbents

Despite the current very high levels of trust in the industry, 97% of SMEs in the survey would consider buying insurance from a player other than an insurer or insurance intermediary.

Swiss SMEs expressed the greatest interest across all countries in purchasing insurance from “non-traditional” insurance distributors, especially Big Tech. At 34%, social media platforms (e.g., Facebook) had the highest rating, followed by 31% for major technology companies (e.g., Google) and 25% for online retailers (e.g., Amazon).

International observations

Surprisingly, with a figure of 34%, SMEs in other countries appear significantly more inclined to purchase from a bank – compared to Switzerland with only 20%. This might reflect the fact that historically, and despite recent developments and partnership announcements, bancassurance has not yet gained widespread acceptance in Switzerland, unlike in other countries like Portugal or Spain.

Figure 13
“Non-traditional” insurance distributors that SMEs would purchase insurance from

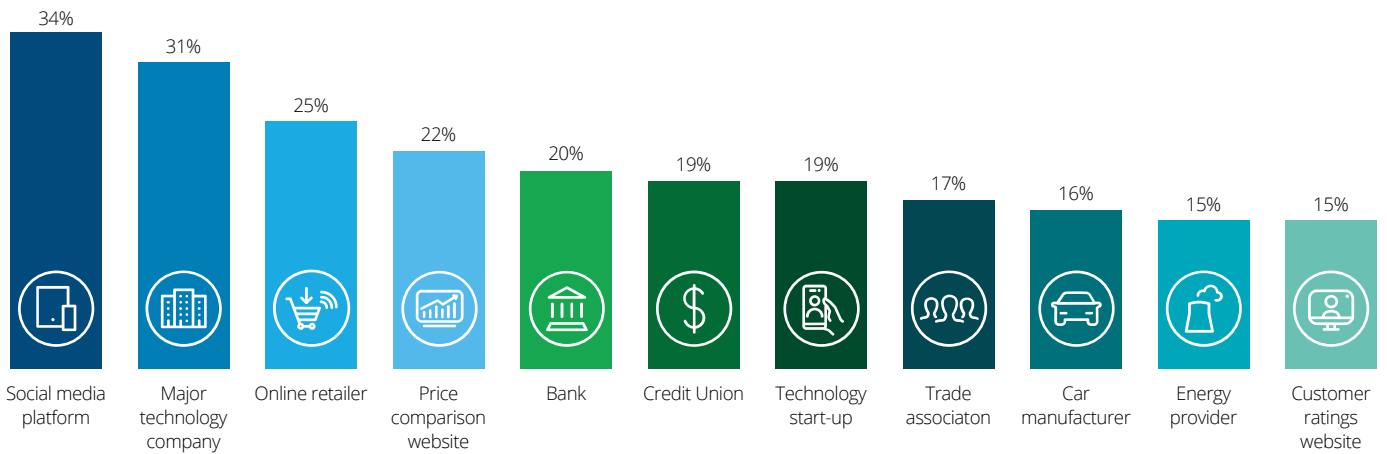
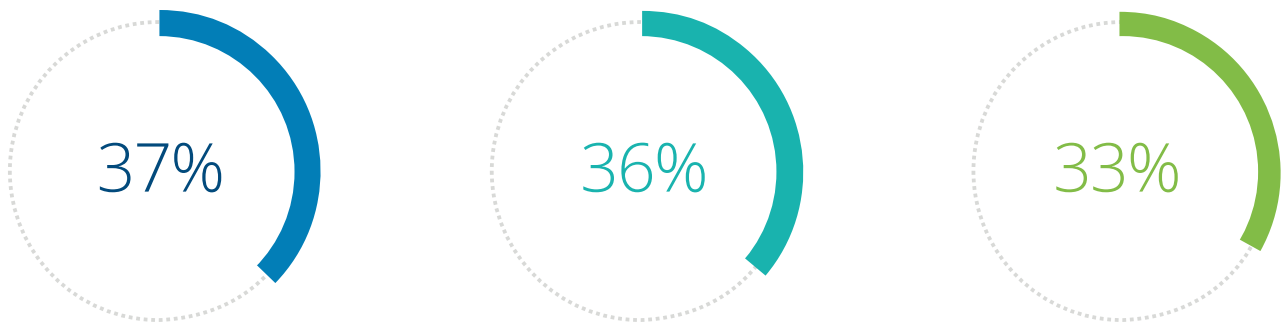


Figure 14
Three main reasons to buy from a “non-traditional” insurance distributor



of SMEs expressed a greater desire to receive proactive notification of when their business might need to take action to improve risk protection

of SMEs expressed an interest in receiving advice on the risks that their business faces and how best to obtain protection using insurance and other means

of SMEs expressed a greater desire for insurance to cover risks that their business is currently not protected against

Preference for flexible coverage and usage-based insurance

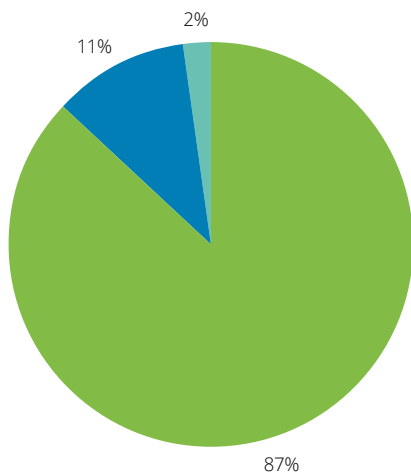
Remarkably 87% of Swiss SMEs would prefer to update their insurance coverage through the year – for example, increasing or decreasing coverage based on changes in revenue, the number of employees, or other unexpected business changes. Most SMEs would prefer to add coverage (52%) and avoid the risk of not being covered (45%). Paying less was not among their main motivations (32%).

80% of SMEs in Switzerland would like to pay for insurance via a variable monthly fee based on usage (e.g., miles driven, number of customers, etc.), making cost savings possible, though factors such as appropriate coverage and trust are deemed to be more important than price.

International observations

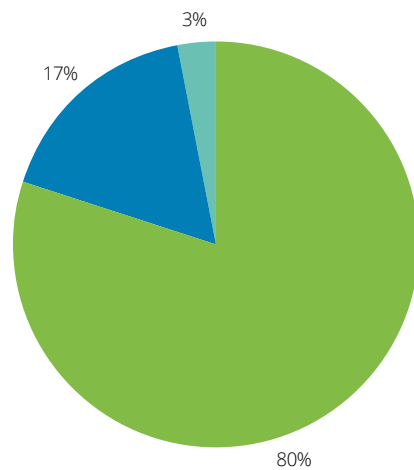
Compared to other countries in the survey, both flexible coverage and usage-based insurance are of greater importance to Swiss SMEs (+12 percentage points) than to the average of respondents in other countries

Figure 15
SMEs' preference to update insurance coverage throughout the year



■ Yes ■ No ■ Don't Know

Figure 16
SMEs' preference to pay for insurance via variable monthly fee based on usage



■ Yes ■ No ■ Don't Know

[Our take] Better understanding SMEs using data, partnerships and ecosystems is key to providing proactive advice and differentiated services

Stay relevant through a broader service portfolio. Insurers should focus on creating the greatest possible value by working with third parties and leveraging partnerships and ecosystems where this contributes to strategic business objectives.

Better understand SMEs by leveraging data provided by partners. As indicated by the survey, providing simple and proactive advice can further increase the relevance to the SME segment and ultimately increase customer loyalty and profitability.

Insurers should evaluate opportunities to deepen partnerships with Big Tech and Insurtech firms. This could help to gain access to and interpret data on a sustainable, automated basis, further increasing understanding of the customer segment and enabling the agent or broker to be a more effective risk advisor to SME clients.

Increase flexibility and ability to partner, while decreasing time to market. Insurers should continue to invest in scalable and flexible IT architecture to support seamless and rapid integration into customer journeys, whether on their own platform or through partnerships and ecosystems. As speed and scalability are the basic ingredients to become an attractive partner, insurers need to find an optimal mix between making, buying and partnering, and to constantly adapt to change.

Investments should also focus on partner-management capabilities and agility to support a consistent cross-channel experience, but also on structures (organisational and legal) that benefit from insights and engage across service offerings, particularly in the context of non-core insurance products.



Accelerate your SME programme towards differentiated and tailored products and services

Small business insurance can offer an insurer, new insurance entrant, or trusted small business service provider an opportunity to drive material growth. What has been learned from the digital disruption of the past years is that when there is an unmet need in the market and willingness to consider alternative providers, there will be opportunities for bold, growth-focused organisations to capitalise on that unmet need.

At the same time there is a threat to organisations that accept the status quo and continue to operate in the same way. COVID-19 created big challenges for both the insurance industry and small businesses but resulted in increased awareness and fresh demand for and interest in insurance. The trust between small businesses and their insurer or intermediary puts existing providers in an advantageous position. They can offer a range of differentiated products, services and advice.

However, the threat to traditional insurance providers is real. Small businesses have sent a strong signal through this survey that they favour providers which offer them the best proactive advice, products and services at a fair price. Therefore the report's findings suggest that insurers should look beyond price as a source of differentiation, with SMEs most valuing the scope of services offered (Cover+) and advice as key factors that will drive their future purchasing decisions.

Although the SME segment has begun to develop, historically it has been largely untapped in a meaningful way. We believe it offers a significant growth opportunity to organizations seeking profitable growth through targeted investment and sharpened focus on the segment.

- 1** Capitalise on the great level of trust and enhanced value of SME insurance 
- 2** Enable your agents and brokers to become better advisors 
- 3** Leverage partnerships to deliver proactive advice and services beyond traditional insurance 

Authors and Contacts

Andy Hefti

Partner & Insurance Leader

ahefti@deloitte.ch

Simon Walpole

Partner

swalpole@deloitte.ch

Morgan Schaeffer

Partner

moschaeffer@deloitte.ch

Martin Gertsch

Director

mgersch@deloitte.ch

Lisa Peyer

Senior Consultant

lpeyer@deloitte.ch

Maros Lauer

Senior Consultant

mlauer@deloitte.ch

Gabriel Schwab

Senior Manager

gschwab@deloitte.ch



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte AG accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte AG is an affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/ch/about to learn more about our global network of member firms.

Deloitte AG is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).

© 2022 Deloitte AG. All rights reserved.

Designed by CoRe Creative Services. RITM1192237