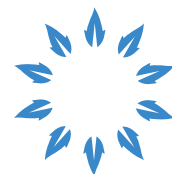




Asteron Life
SME Insurance Index 2021



**Asteron
Life**





Introduction

Welcome to the 2021 Asteron Life SME Insurance Index.

As the world comes to grips with life in a pandemic-normal world, we are all discovering what has changed and what stays the same in this new landscape. The script seems to have changed for so much in life, and yet many are discovering that the fundamentals of customer relationships remain the same. So, is this the same for life insurance advisers?

The fourth edition of the Asteron Life SME Insurance Index explores what SMEs look for in their life insurance and advisers, the kind of adviser relationship that drives satisfaction and what new opportunities have arisen given the last tumultuous year.

While many of us have become accustomed to physical distancing, keeping in touch and building closer relationships remain at the heart of successful client relationships, even if electronic channels are sometimes more convenient than being face-to-face. This edition explores close relationships, and in particular the impact that building collaborative relationships can have on satisfaction and understanding of the expertise that advisers deliver to their clients.

This report also explores the impact of age on perceptions of life insurance and highlights the importance of maintaining contact, even with more established clients.

The insights in this report are designed to shed light on the attitudes and behaviours of SMEs towards life insurance. By better understanding SMEs, those involved in life insurance will be able to better meet the needs of this diverse, complex and important audience.

We hope that you find these insights helpful as you plan for the year ahead.

“ By better understanding SMEs, those involved in life insurance will be able to better meet the needs of this diverse, complex and important audience. ”

Contents

Executive summary	5
The findings	7
SMEs satisfaction with advisers	8
Opportunity to showcase expertise through service	12
What SMEs are looking for from an adviser	17
Communication preferences	19
Age makes all the difference	21
The research	27

EXECUTIVE SUMMARY

- Client satisfaction is an important metric. Advisers could look at monitoring their client's satisfaction over time to understand what elements drive higher levels and therefore what creates more opportunities to differentiate that adviser.
- Advisers should be aware of the "honeymoon period" and think about how they can remain engaged and relevant for their longer-term clients.
- How can advisers deliver more personalised service that is relevant for clients' unique needs and circumstances and helps them feel that their adviser is on their side? An important first step for personalised service is taking the time to uncover each client's current needs and where they want to be placed in future. Consider client surveys that may help uncover factors relevant to an individual's life insurance.
- Advisers could consider ways that they can help SMEs understand the value of expert advice and the risks of working out their insurance needs on their own. Providing case studies or anecdotal evidence is a useful way to help potential clients understand possible scenarios because it personalises information and helps individuals remember insurance details more readily.
- Collaborative relationships are an excellent way for advisers to demonstrate the knowledge and expertise they deliver to their clients. Always consider interactions with clients as a two-way street in terms of collecting information from clients, about their current and potential circumstances, as well as providing them possible options for their life insurance to discuss.
- A way for advisers to communicate their expertise with SMEs is by creating website and social media messaging that clearly demonstrate their unique value proposition. There are resources available online to assist with this activity, or if budget permits, engaging a specialist to do this could lift your brand to new levels.
- All the reasons SMEs say they would use an adviser – price & quote options, expertise, convenience and personalised service – are attributes that advisers should be showcasing every time they're meeting or speaking with a SME customer. It may sound simple, but remembering to not undersell the value you bring to your business relationship is vital.
- SMEs under 45 are an attractive audience for advisers to target, as they tend to have a broader suite of products and are more likely to consider using advisers, even if they currently report buying direct.
- To attract and retain this audience, advisers should consider demonstrating their expertise, as well as explaining how they can save this busy audience time.
- To retain clients over 55, advisers need to stay in contact and deliver assurance, even to clients whose needs appear to be relatively stable, as this audience are more likely to be dissatisfied with their adviser.



The findings

The 2021 Asteron Life SME Insurance Index focusses on SME attitudes to life insurance and advisers, focusing on:

- SMEs satisfaction with advisers
- Opportunity to showcase expertise through service
- What SMEs are looking for from an adviser
- Communication preferences
- Age makes all the difference

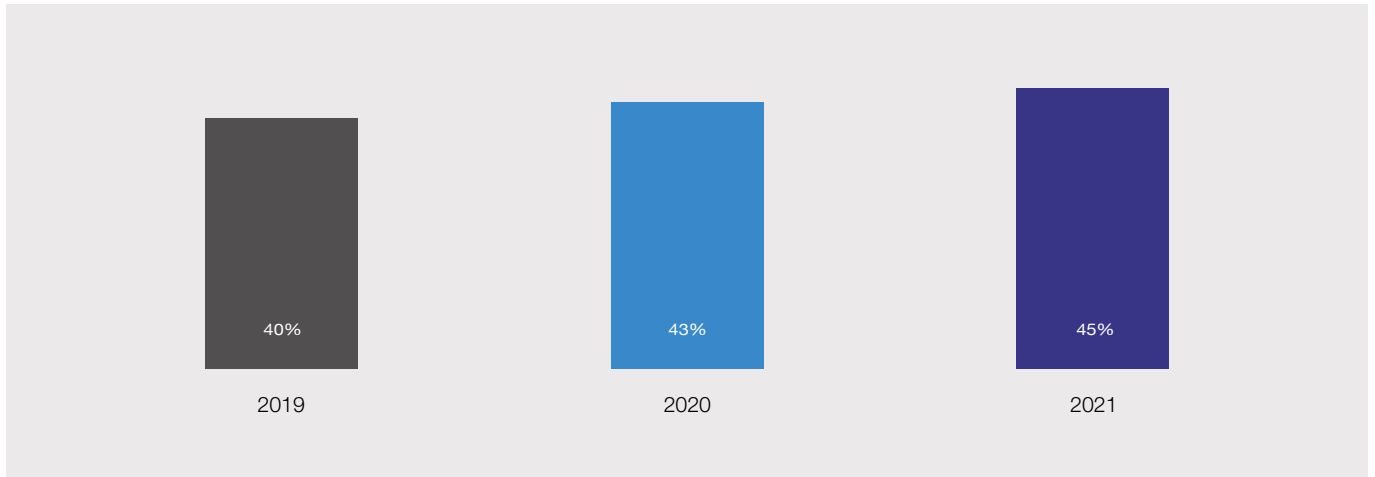
These topics will be explored in detail in this report.

SMES SATISFACTION WITH ADVISERS

Collaborative relationships drive satisfaction

SMEs report that they are increasingly satisfied with their life insurance advisers, with those rating their adviser 8 or more out of 10 growing from 40% in 2019 to 45% this year (see figure 1.1).

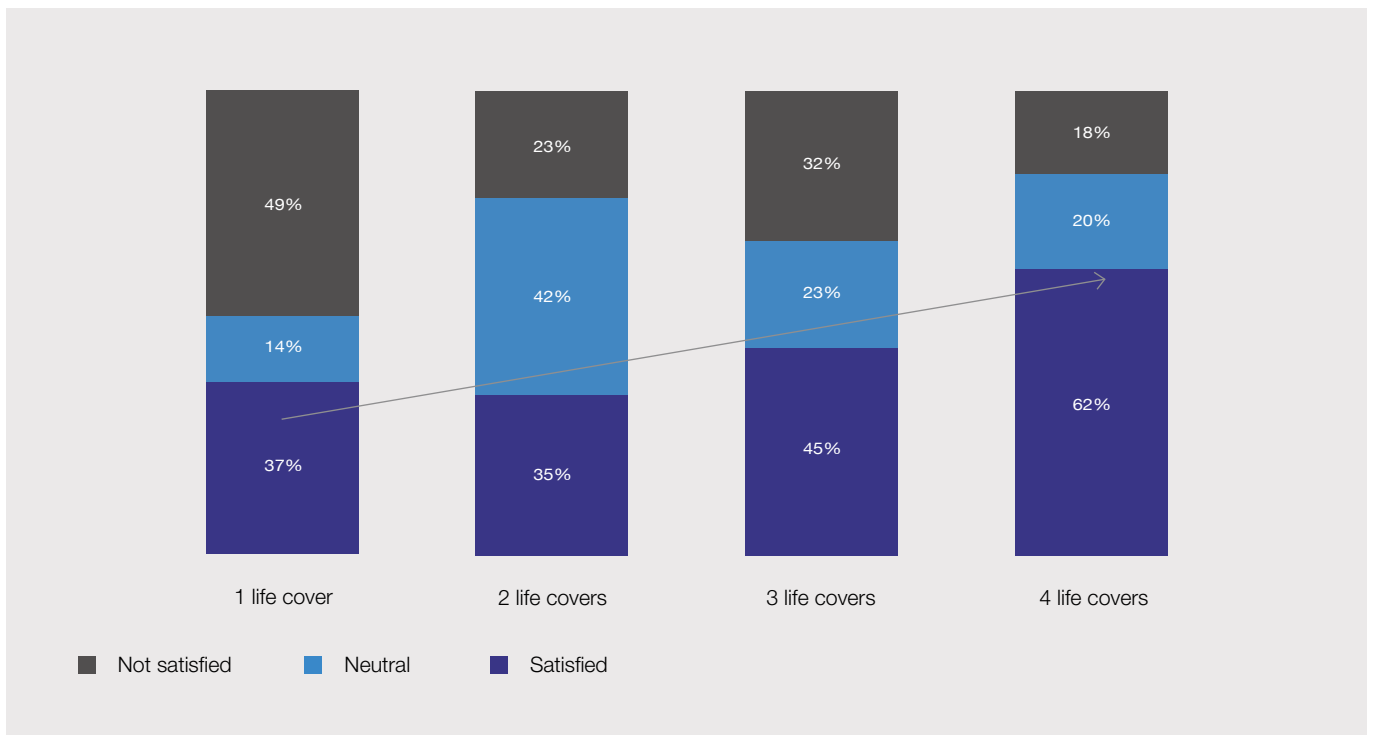
Figure 1.1: Satisfied with current adviser



Satisfaction is a very important measure for the advice profession, as SMEs who are satisfied with their adviser are significantly more likely to hold multiple life covers. The majority of satisfied SMEs (62%) hold all four cover types, while only 37% of satisfied SMEs hold a single cover.

In contrast, those who are not satisfied tend to have less covers, with 49% of those not satisfied having only one cover (see figure 1.2). This suggests that satisfied SMEs are likely to have more diverse life insurance portfolios.

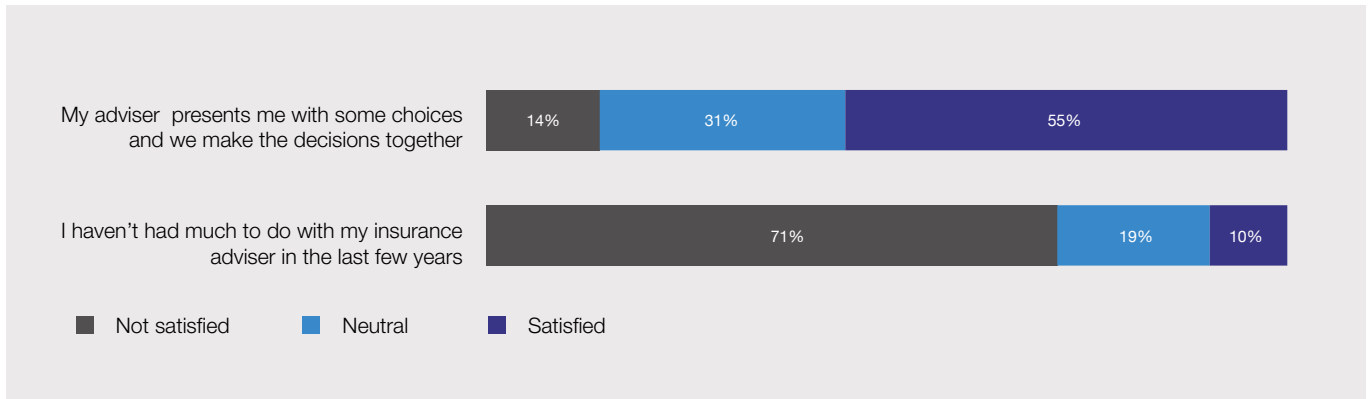
Figure 1.2: Satisfaction rates by amount of life insurance cover



How can advisers ensure that this improvement in satisfaction continues? To understand this, we have explored the differences in the experiences between those who are satisfied and dissatisfied and have found a very marked gap in the types of relationships they have with their adviser. 55% of satisfied clients have a collaborative relationship in which their adviser presents choices, and they make decisions together, whereas only 14% of dissatisfied

clients have this type of relationship. The most common type of relationship for dissatisfied clients is a distant one, with 71% of dissatisfied clients saying that they haven't had much to do with their adviser recently (see figure 1.3). The message for advisers is clear: staying in touch is an important way to build client satisfaction and being involved and having collaborative conversations is even more effective.

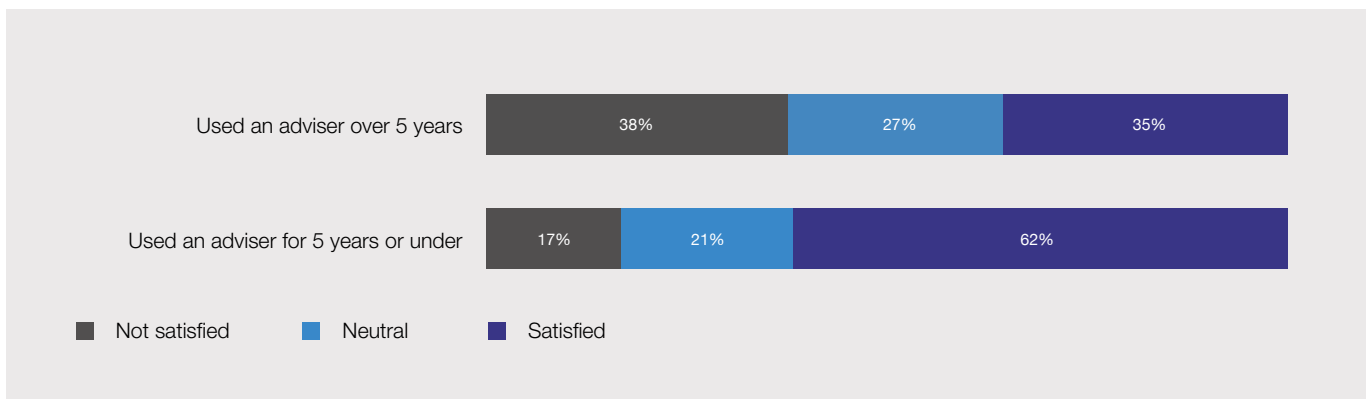
Figure 1.3: Satisfaction by type of relationship



There is also a strong link between length of relationship and satisfaction. 62% of those who have started using an adviser in the last 5 years are satisfied, compared to only 35% of those who have been using an adviser for longer (see figure 1.4). This may suggest that there is a “honeymoon effect” in which the early stages of the relationship are the most positive, and that complacency may set in when dealing with

longer-term clients. This is, of course, very understandable, particularly if longer-term clients do not need to change their life insurance, so their need for an adviser's expertise is not as immediate. There is an opportunity for advisers to differentiate amongst their long-term client relationships, by sharing new or relevant information or regular check-in emails or phone calls to see if any circumstances have changed.

Figure 1.4: Satisfaction by length of relationship



Providing good customer service is unsurprisingly linked to higher satisfaction. But service is a broad concept. Specifically, what types of service can help build satisfaction? Most importantly, SMEs appear to appreciate service that is personalised to their needs. 49% of satisfied SMEs say that personalised service is a reason they work with their current adviser, compared to only 11% of dissatisfied SMEs (see figure 1.5). Satisfied SMEs are also more likely to feel

that they have someone on their side when it comes to insurance. To help build this feeling of support, advisers could think about how they could actively demonstrate that they are on their clients' side. This may be as simple as actively listening to their needs, providing them with personalised and relevant information, or explaining how advisers represent them during claims.

Figure 1.5: Reasons to work with adviser by satisfaction



What this means for advisers

- Client satisfaction is an important metric. Advisers could look at monitoring their client's satisfaction over time to understand what elements drive higher levels and therefore what creates more opportunities to differentiate that adviser.
- Advisers should be aware of the "honeymoon period" and think about how they can remain engaged and relevant for their longer-term clients.
- How can advisers deliver more personalised service that is relevant for clients' unique needs and circumstances and helps them feel that their adviser is on their side? An important first step for personalised service is taking the time to uncover each client's current needs and where they want to be placed in future. Consider client surveys that may help uncover factors relevant to an individual's life insurance.



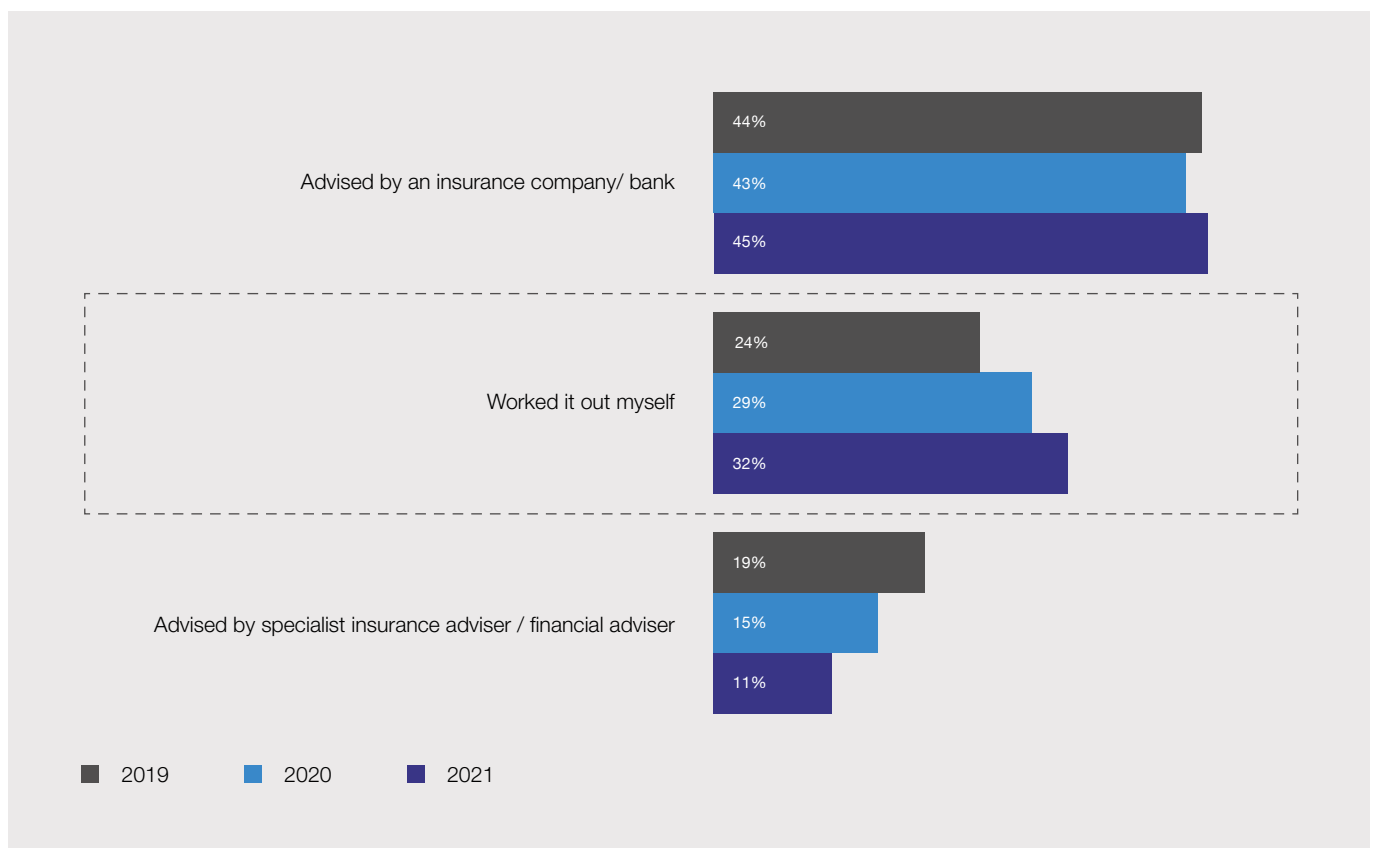
OPPORTUNITY TO SHOWCASE EXPERTISE THROUGH SERVICE

Collaborative relationships showcase advisers' expertise

Life insurance can be very complex and working out the best option to meet clients' needs requires technical knowledge and expertise. However, the data shows that SMEs are increasingly working out what life insurance they need without the benefit of expert advice. This year, 32% of SMEs said that they decided what cover and how much they needed on their own, up from 24% in 2019 (see figure

2.1). This means that almost a third of SMEs are making critical decisions about their cover without advice, and therefore risking being under-insured, having inappropriate cover for their needs or not having cover at all if they haven't provided the correct information to the insurance company. How can advisers help SMEs understand the value of expert advice and the risks of going it alone?

Figure 2.1: Methods to decide on life insurance coverage



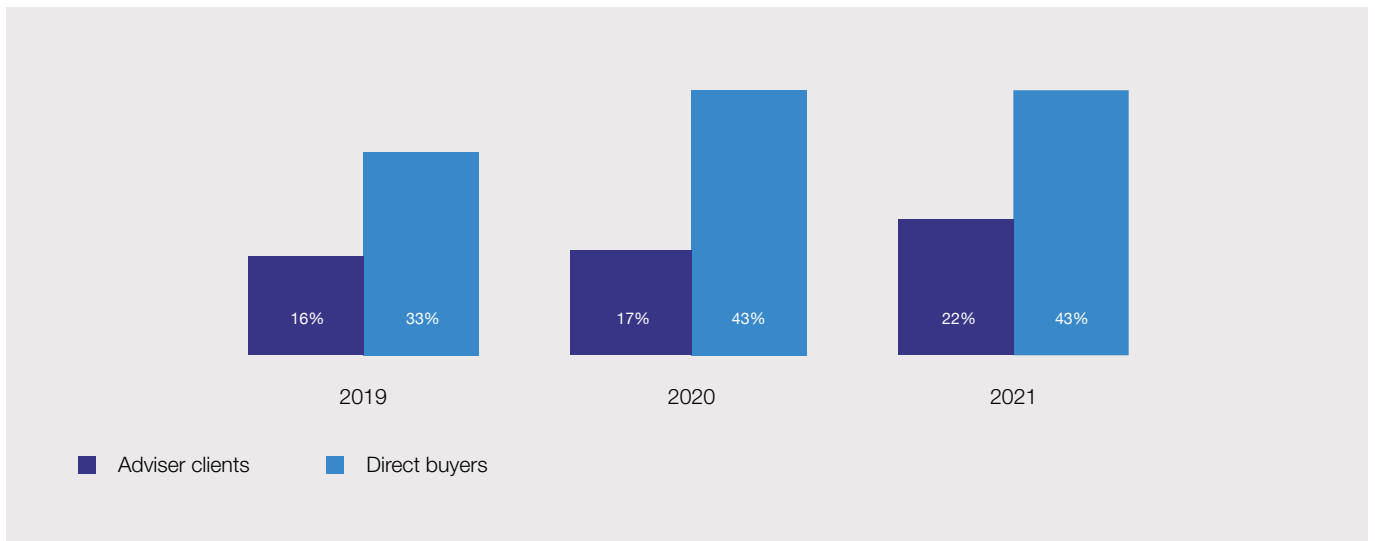
While we would expect that those who report buying their life insurance direct from the insurer (“direct buyers”) are more likely to have worked out their insurance needs on their own,

we are also seeing this self-direction trend growing amongst advised clients, with over 1 in 5 (22%) saying they worked out their own insurance (see figure 2.2)

A note on direct buyers

In this study, direct buyers are defined as those who say that they buy their life insurance direct from the insurance company, rather than through an adviser. It is important to know that this is self-defined and based on the SMEs' perceptions. There may be some SMEs who do not understand the difference between advisers and insurance companies and who claim to buy direct but in reality, buy through an adviser. The perceptions here are very important. A SME who thinks that they are buying direct while using an adviser clearly doesn't appreciate the additional benefits they get from their adviser.

Figure 2.2: ‘Worked it out themselves’ to decide on life insurance coverage



Expertise is one of the main benefits that advisers deliver to their clients and is still the top reason that SME clients say that they work with an adviser. However, the importance of expertise is steadily declining for SME clients. This year 36% said that expert knowledge and advice was a reason to use their adviser, down from 42% in 2019 (see figure 2.3). At the same time, service is becoming a more important reason to use an adviser, with 27% saying their adviser provides great service and 30% saying that their adviser saves them time. Service is unquestionably important, but ideally should work hand-in-hand with expertise.

So, why do SMEs buy direct? The main reason is not understanding the benefits of using an intermediary, with 37% citing reasons such as not wanting to deal with a middleman, not believing that advisers have expertise or not seeing the benefit (see figure 2.4). However, the perceived ease of doing it themselves is increasing rapidly as a reason to buy direct, up from 24% in 2020 to 31% this year. If procuring life insurance is believed to be easy, it's up to advisers to help SMEs understand the complexity of life insurance and the risks of a “DIY” approach.

Figure 2.3: Reasons to work with current adviser

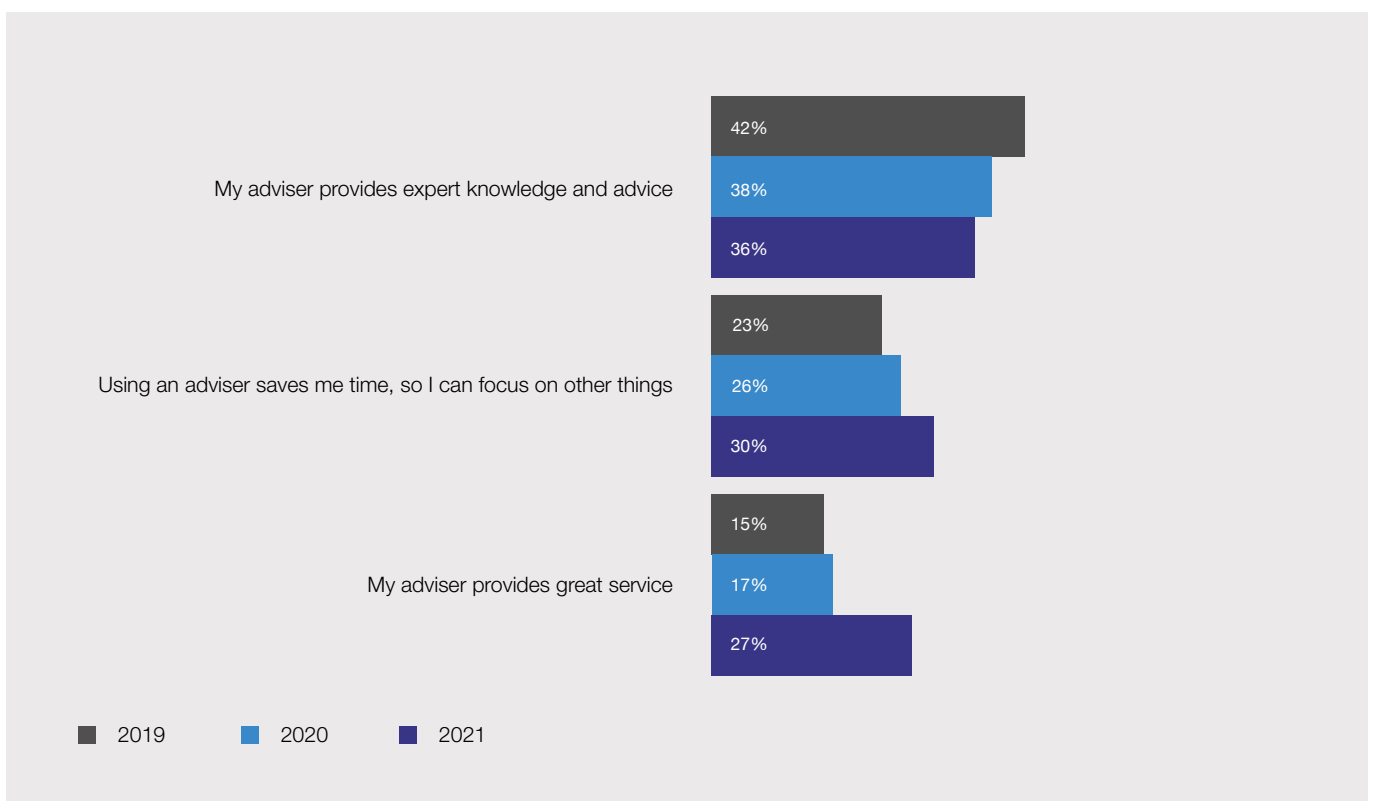
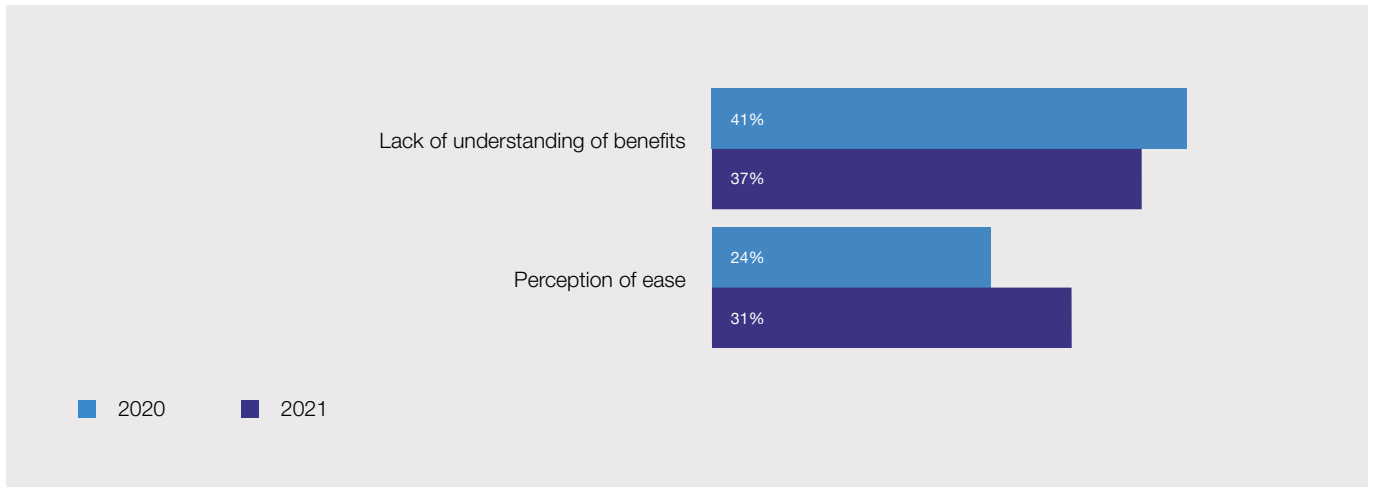


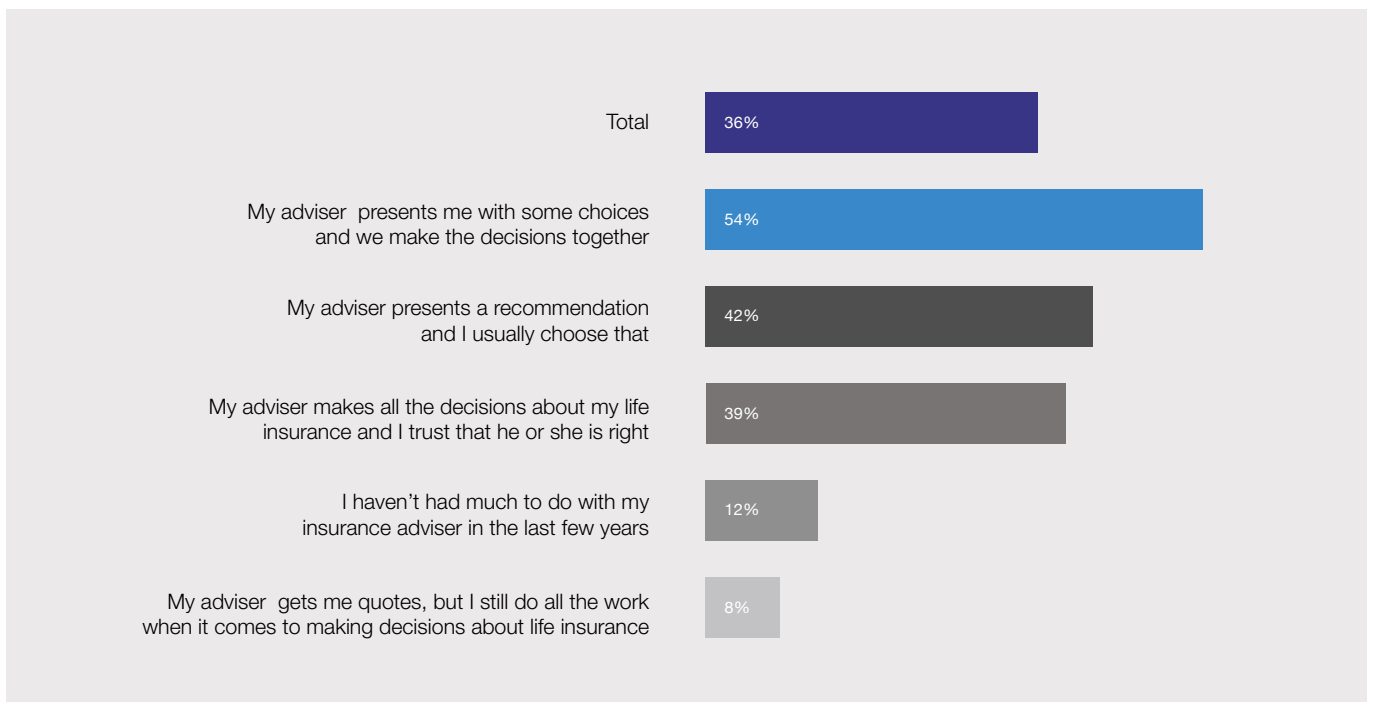
Figure 2.4: Reasons to buy direct for the majority of life insurance



How can advisers provide this understanding? Our data shows that collaborative relationships are an excellent way for SMEs to understand the value of adviser expertise. To explore this, we took a closer look at the SMEs who say that they work with an adviser because of the expert knowledge and advice they deliver. While this group represent 36% of adviser clients overall, they represent 54% of clients who say they make decisions collaboratively with their adviser, and only

12% of those who haven't had much to do with their adviser (see figure 2.5). This suggests that building collaborative relationships is a highly effective way to demonstrate expertise, which makes intuitive sense: advisers who spend time talking with their clients about their options and then providing recommendations have a much greater opportunity to discuss the complexities of insurance and to demonstrate the analysis and knowledge that informs their advice.

Figure 2.5: 'Expertise' as reason to work with current adviser by type of relationship



What this means for advisers

- Advisers could consider ways that they can help SMEs understand the value of expert advice and the risks of working out their insurance needs on their own. Providing case studies or anecdotal evidence is a useful way to help potential clients understand possible scenarios because it personalises information and helps individuals remember insurance details more readily.
- Collaborative relationships are an excellent way for advisers to demonstrate the knowledge and expertise they deliver to their clients. Always consider interactions with clients as a two-way street in terms of collecting information from clients, about their current and potential circumstances, as well as providing them possible options for their life insurance to discuss.



WHAT SMES ARE LOOKING FOR FROM AN ADVISER

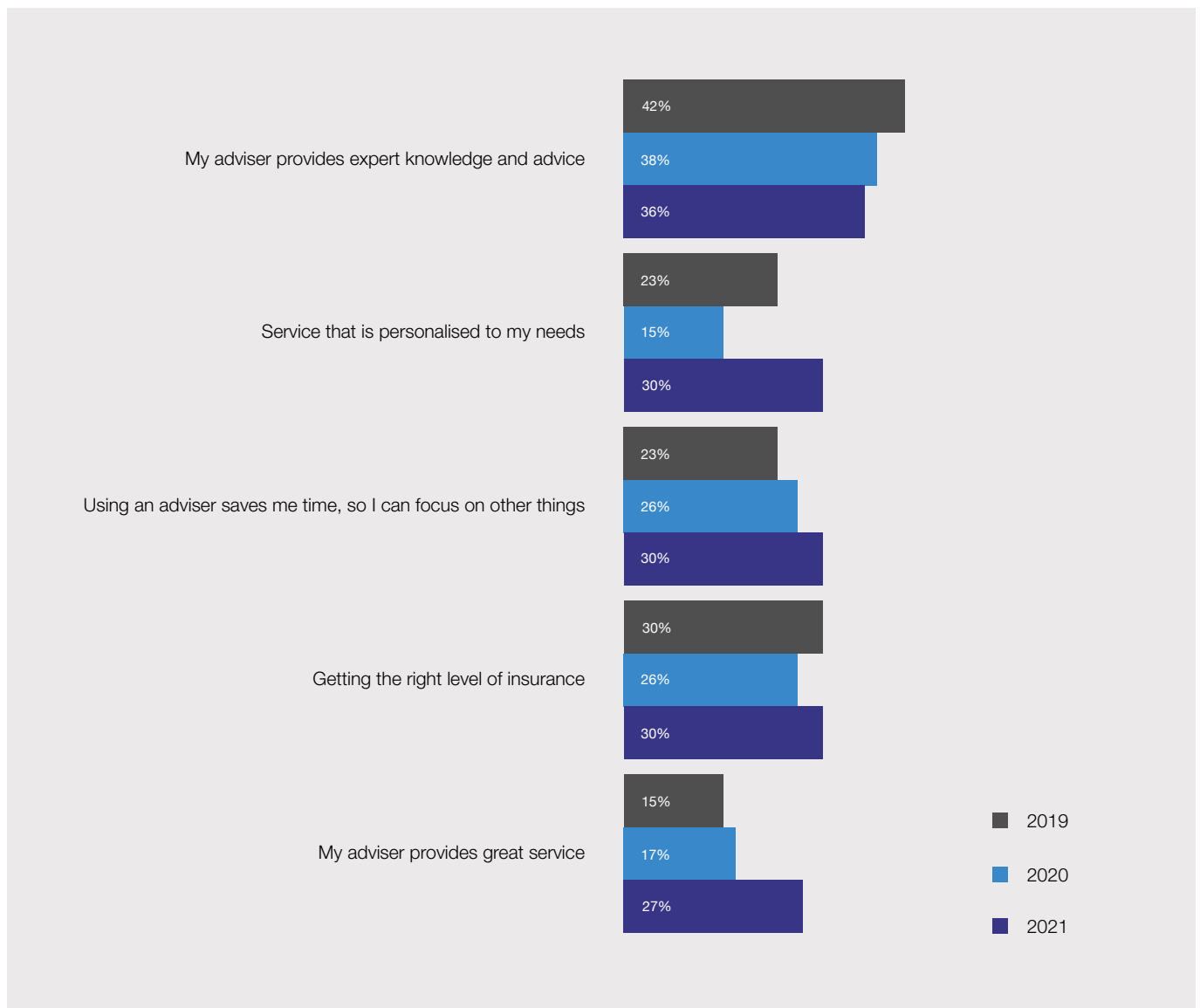
Benefits to highlight for current and potential clients

Advisers deliver significant benefits to their clients in terms of expertise, convenience, and personalised service. To make the most of these advantages, advisers need to ensure that existing clients understand and appreciate these benefits. It is also important to communicate these factors to those who currently don't use advisers to create more awareness of the potential benefits they could gain if they purchased their life insurance through an adviser.

Turning first to existing clients, why do they use advisers? When asked why they choose to work with their life

insurance adviser, SMEs tend to cite a range of reasons. Expertise is the most important, with 36% of SMEs saying this is the reason they work with an adviser (see figure 3.1). However, expertise appears to be declining slightly since 2019, while an increasing number say that they use an adviser because it saves them time, as well as the fact that their adviser provides great service. This suggests that advisers need to be focused on providing general education about the benefits they deliver, demonstrating expertise, convenience, and personalised service.

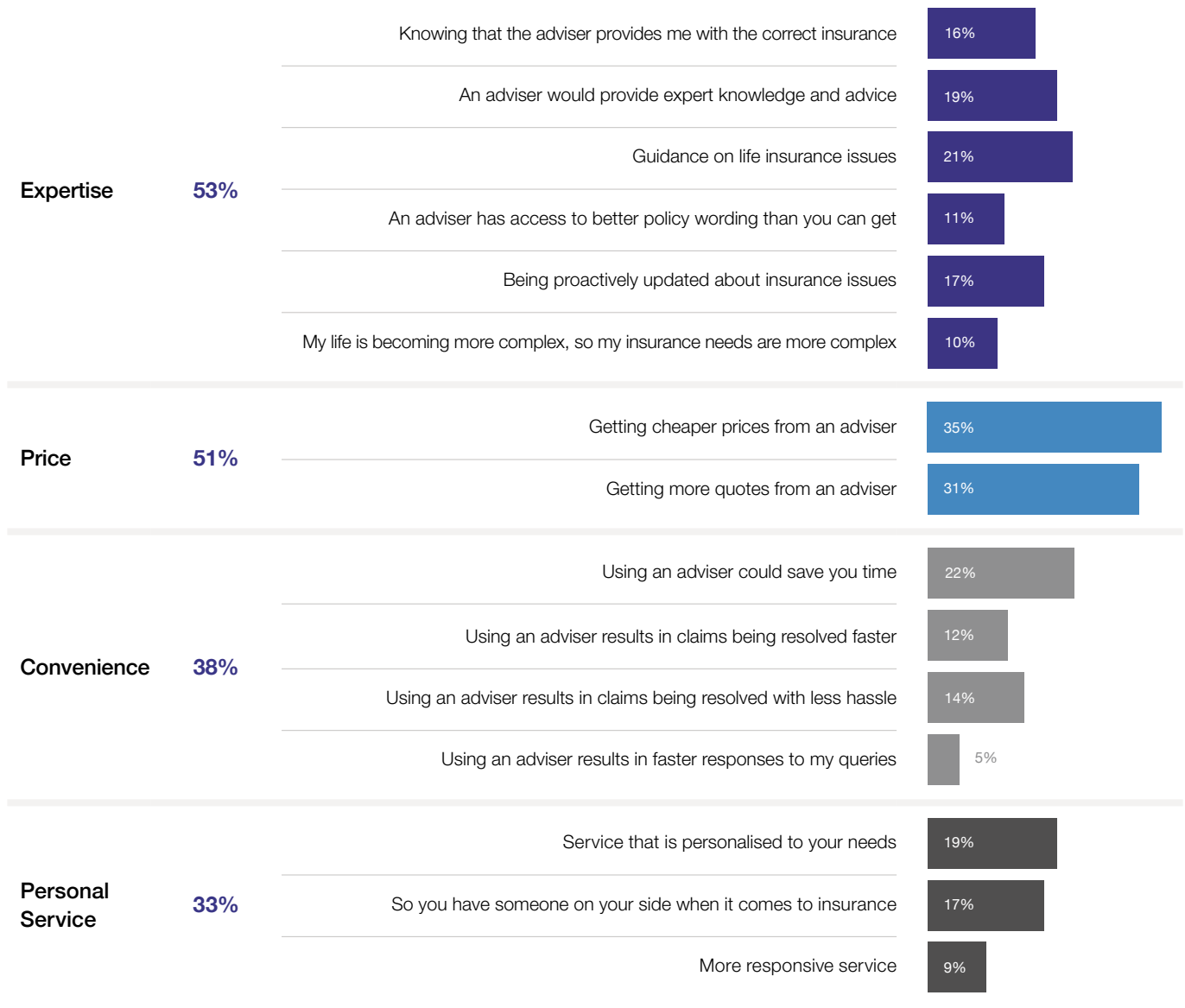
Figure 3.1: Top 5 reasons to work with adviser



So, what would make direct buyers more likely to consider using an adviser? Price is unquestionably a significant trigger, with 51% saying that getting cheaper prices or more quotes would be a reason for them to consider using an adviser (see figure 3.2). However, expertise plays an even more important role, with 53% saying they would

be motivated by factors such as knowing that the adviser would provide expert knowledge and getting guidance and proactive information on life insurance. Convenience and personalised service would also provide a reason for direct buyers to think about using an adviser.

Figure 3.2: Reasons to consider using an adviser



When talking to prospective clients, advisers should consider talking not just about price, but more specifically about the expertise and convenience they can deliver.

What this means for advisers

- A way for advisers to communicate their expertise with SMEs is by creating website and social media messaging that clearly demonstrate their unique value proposition. There are resources available online to assist with this activity, or if budget permits, engaging a specialist to do this could lift your brand to new levels.
- All the reasons SMEs say they would use an adviser – price & quote options, expertise, convenience and personalised service – are attributes that advisers should be showcasing every time they’re meeting or speaking with a SME customer. It may sound simple, but remembering to not undersell the value you bring to your business relationship is vital.

COMMUNICATION PREFERENCES

Communication preferences depend on the type of task

Methods of communication have changed significantly over the last year thanks to the COVID-19 pandemic, and in particular web-based video communication tools such as Zoom and Microsoft Teams have become widely used. To understand the impact of these changes, this year's questionnaire included additional questions on how SMEs prefer to communicate with advisers.

SMEs use a wide variety of communication channels, and there is considerable diversity in how SMEs prefer to communicate with their adviser. Overall, email is still the most popular communication channel, but preferences vary

depending on the task required. For many SMEs, email is the preferred channel for simpler, more routine communication tasks including admin, receiving general information, and managing the claims process. Phone calls are also valued for claims, as well as generally keep in touch and getting general business advice. Face-to-face is preferred for more personalised, in-depth tasks such as assessing risk profile and assessing personal needs (see figure 4.1). Interestingly, a comparison with data for the Vero SME Insurance Index shows that face-to-face is more preferred for life insurance tasks than general insurance, perhaps because of the more personal nature of life insurance.

Figure 4.1: Top tasks per communication channel

Email	Phone calls	Face-to-face
Undertaking admin and paperwork	Managing the claims process	Assessing my personal risk profile
Providing general information on insurance that may be useful or relevant (eg changes in regulation, case studies)	Providing general business advice	Discussing my personal insurance needs (including checking on any changes to my business)
Managing the claims process	General catch up/keeping in contact	Presenting policy recommendations

Of course, within these broad trends there is considerable variation. It is important that advisers check with their clients on how they prefer to be contacted.



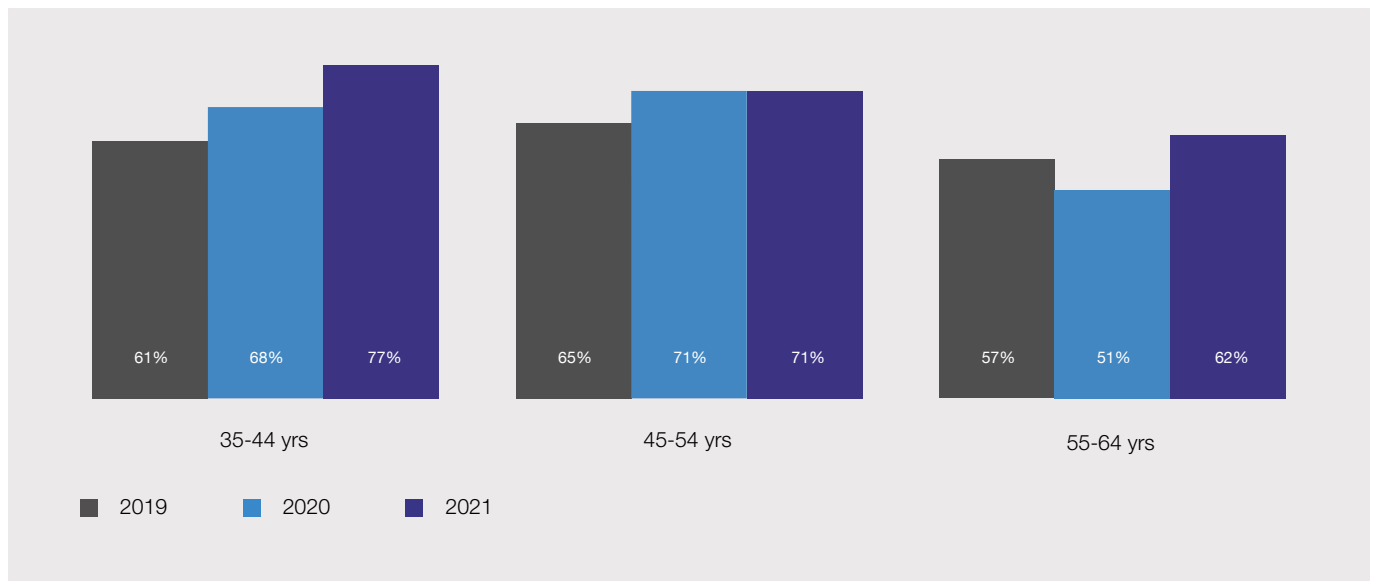
AGE MAKES ALL THE DIFFERENCE

Younger SMEs represent a good opportunity for advisers

Life insurance is strongly connected to a person's stage of life and the purchase of life insurance is often triggered by the birth of children or buying a house. This means that attitudes to life insurance and the importance of advice can vary by age, which can impact how advisers deal with different audiences.

Small differences can be seen in the incidence of life insurance by age groups. Those aged between 35 and 44 years of age are the mostly likely to have at least some form of life insurance, and represent the fastest growing age group, with 77% saying they have life insurance this year, up from 61% in 2019 (see figure 5.1). Incidence is lower in the older age groups.

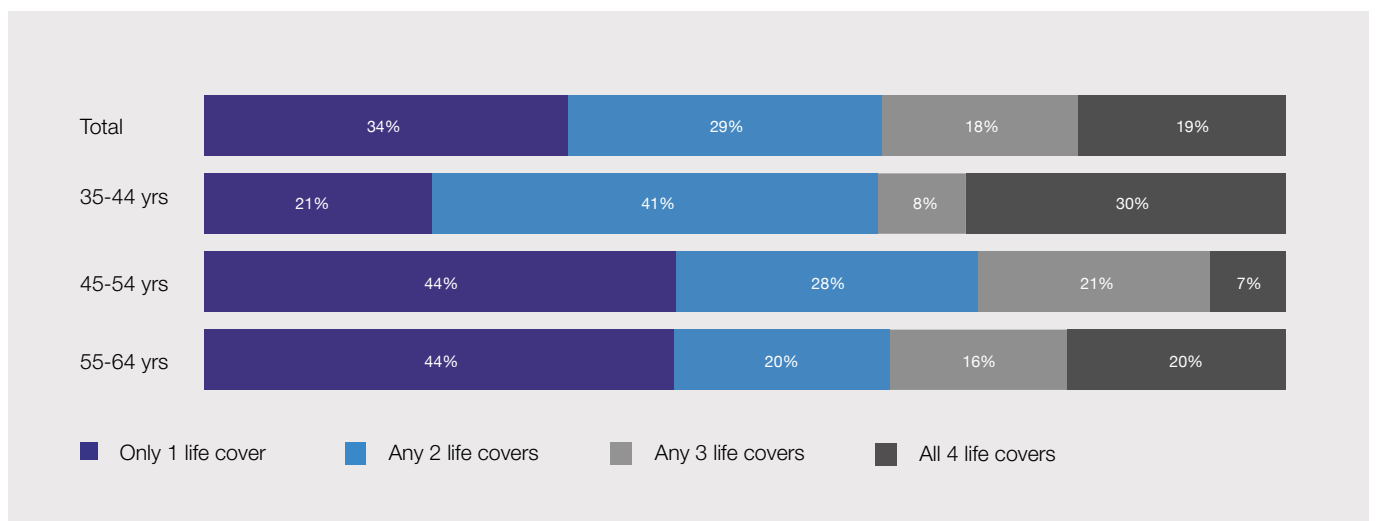
Figure 5.1: Incidence of life insurance by age groups



Not only are those aged 35-44 more likely to have a life insurance policy, but they are also more likely to have multiple covers, with 30% saying they have all 4 life covers, compared to only 19% of the total. They are also considerably less likely to only have one cover (see figure 5.2), suggesting that they have broader needs and possibly

a more sophisticated understanding of them. Advisers should consider having conversations with younger SMEs about the full suite of life insurance covers so that they are aware of the products available to them as their lifestyle changes (i.e. starting a business, getting a mortgage, having children).

Figure 5.2: Number of life insurance policies purchased by age groups



While they are more likely to have life insurance in general, the 35–44 year age group are no more likely to report using an adviser than the average, with those over 55 being the most likely to report using an adviser at 64% (see figure 5.3). However, the under 45 age group show considerable

potential with 70% saying that they definitely or might consider using an adviser in the future (see figure 5.4). This suggests that younger SMEs represent a good opportunity for advisers to grow their business with new clients. But how can advisers attract this audience?

Figure 5.3: Adviser usage by age groups

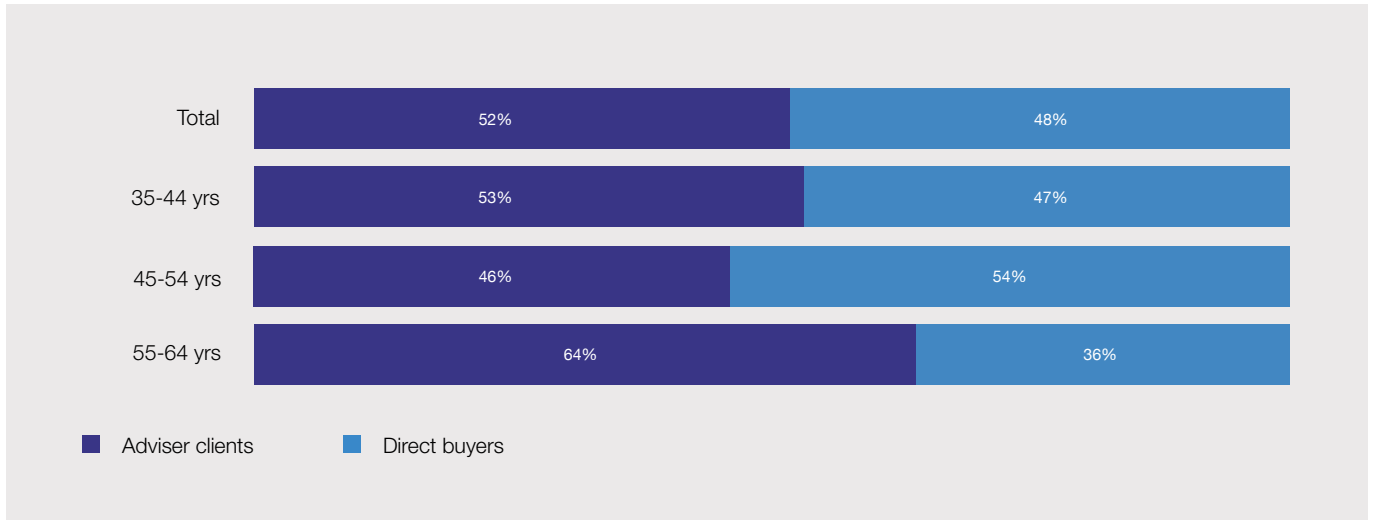
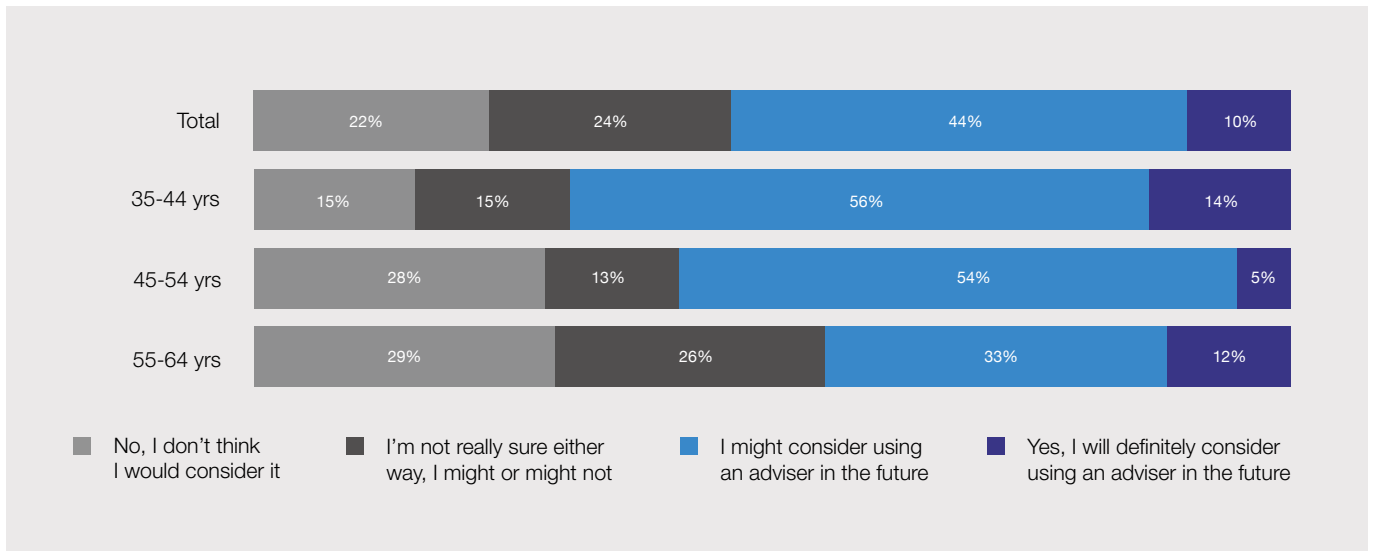


Figure 5.4: Adviser consideration by age groups

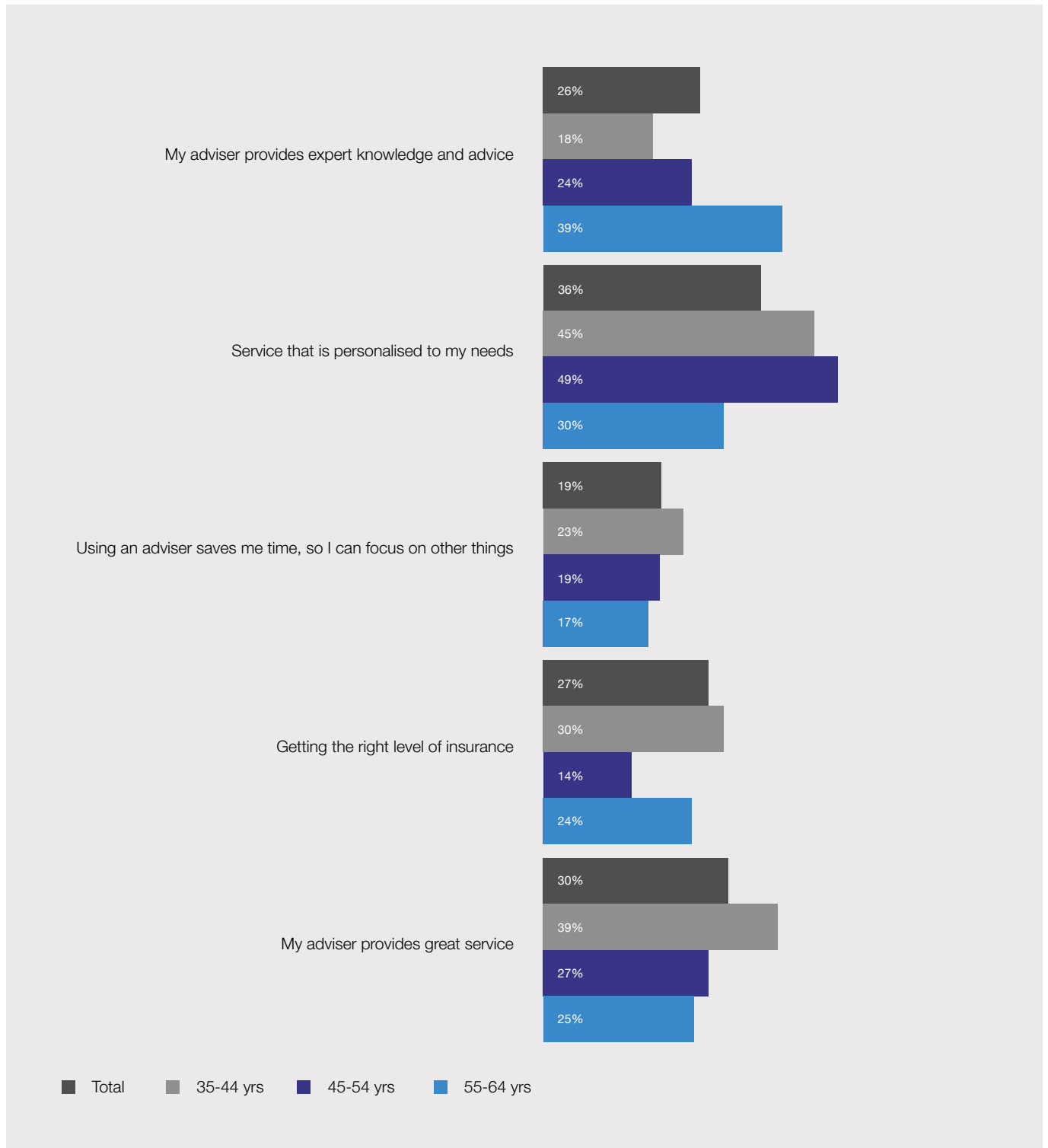


Given that those aged 35-44 are likely to have family commitments, time saving is a key benefit for this age group and the most common reason cited for using an adviser. This group is also strongly motivated by expert knowledge and advice. Older age groups are more likely to value

peace of mind (see figure 5.5). Advisers should think about tailoring the way they deal with clients, providing older clients with higher levels of reassurance, while demonstrating to time-poor younger clients how they can save them time through expertise.

All the reasons SMEs say they would use an adviser – price & quote options, expertise, convenience and personalised service – are attributes that advisers should be showcasing every time they're meeting or speaking with a SME customer. It may sound simple, but remembering to not undersell the value you bring to your business relationship is vital.

Figure 5.5: Reasons to work with current adviser by age groups



Satisfaction with advisers varies by age group. Older SMEs are the most likely to be dissatisfied, with 42% rating their adviser 5 or below out of 10 (see figure 5.6). Relationships may be driving this, with 28% of those aged 55-64 saying they haven't had much to do with their adviser recently (see figure 5.7). The younger group, on the other hand, are more likely to have collaborative relationships, with 46% of

35-44-year-olds saying that their advisers present options and they make the decisions together. This data suggests that the collaborative approach used more commonly with younger audiences are successful, and there is an opportunity to build closer, more collaborative relationships with older clients.

Figure 5.6: Satisfaction with current adviser by age groups

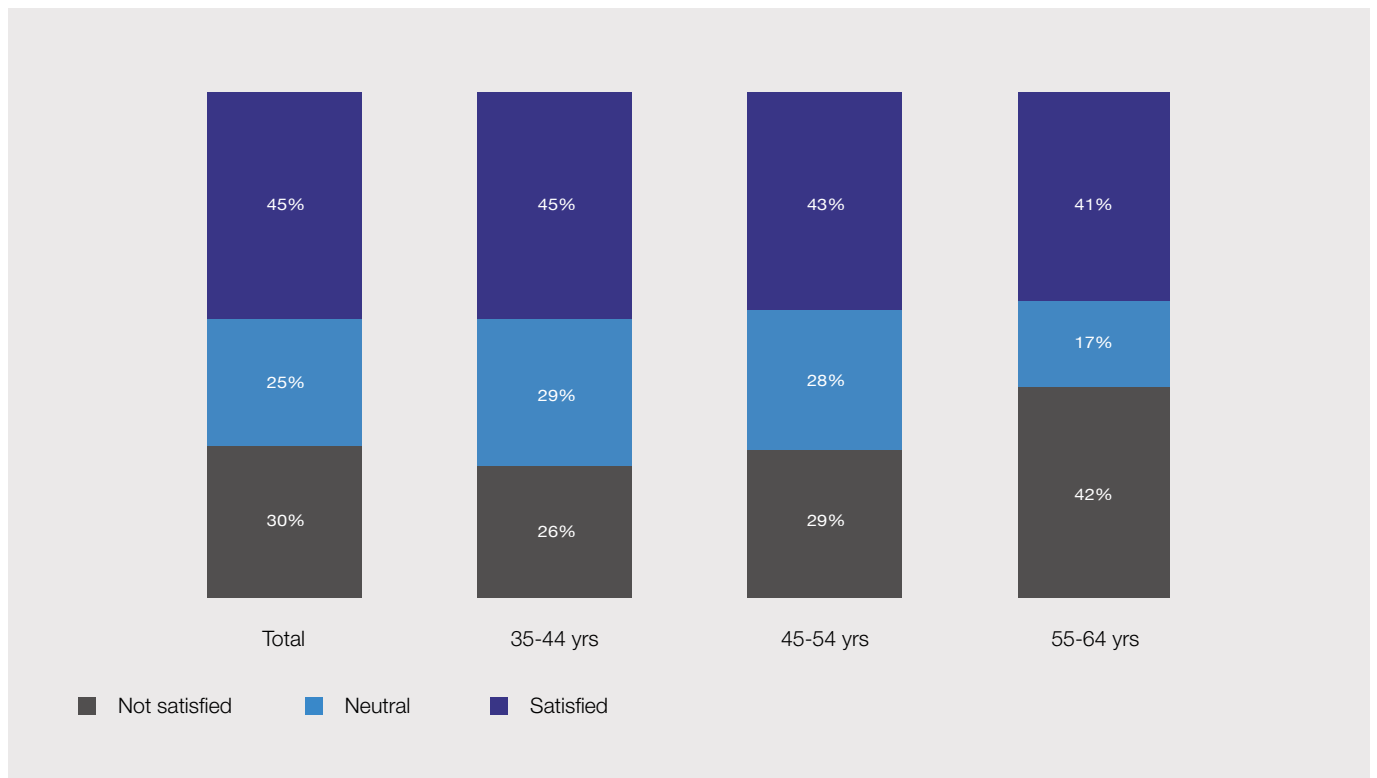
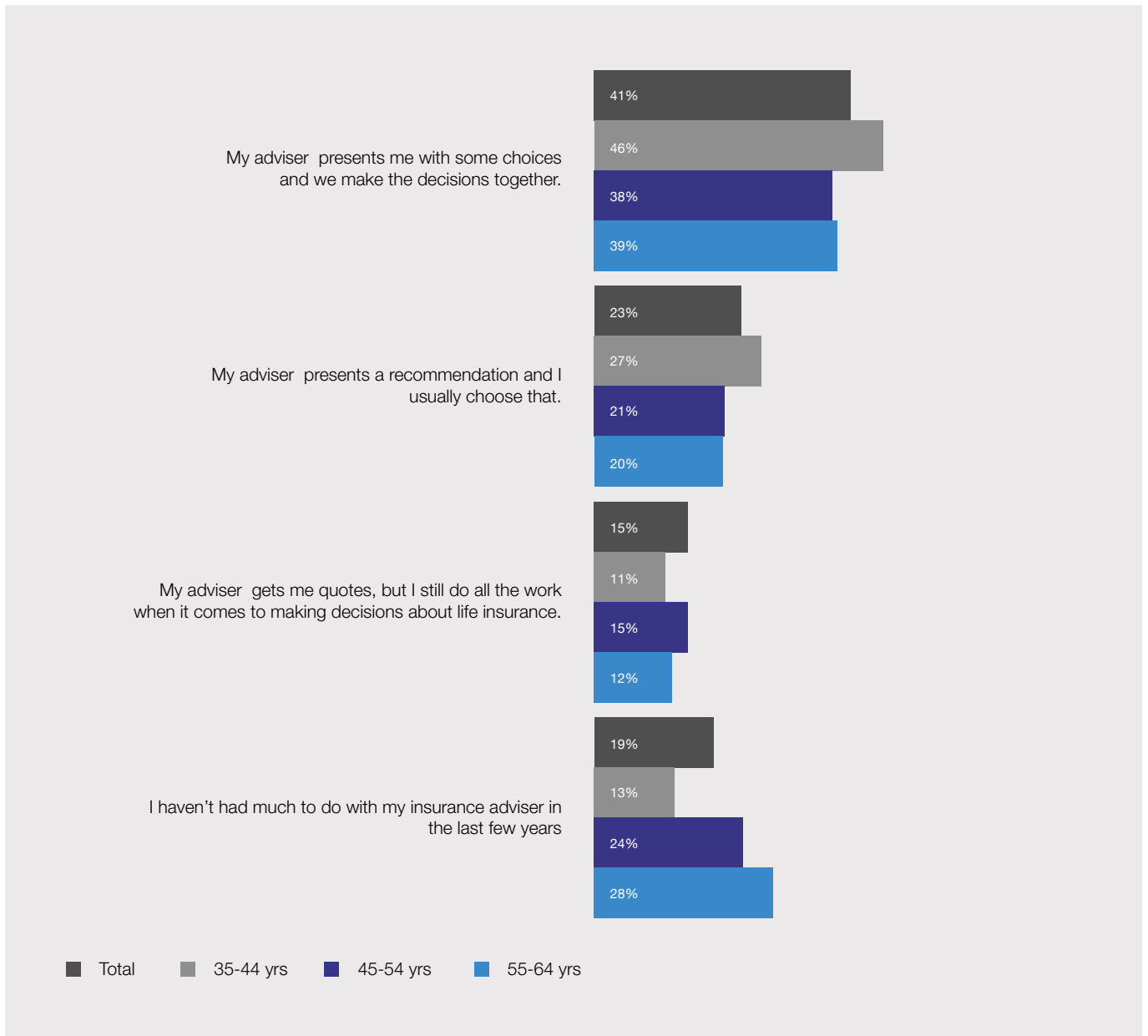


Figure 5.7: Relationship with adviser by age groups



What this means for advisers

- SMEs under 45 are an attractive audience for advisers to target, as they tend to have a broader suite of products and are more likely to consider using advisers, even if they currently report buying direct.
- To attract and retain this audience, advisers should consider demonstrating their expertise, as well as explaining how they can save this busy audience time.
- To retain clients over 55, advisers need to stay in contact and deliver assurance, even to clients whose needs appear to be relatively stable, as this audience are more likely to be dissatisfied with their adviser.

THE RESEARCH

This report is based on research involving 900 business owners and decision makers from around New Zealand. The research was independently* conducted using an online quantitative survey.

900 business owners and insurance decision makers were interviewed, covering a range of business types, locations and sizes. The survey was conducted during December 2020 and the data was weighted by business size to current Statistics New Zealand data. The survey covered:

- general business sentiment
- attitudes towards insurance
- insurance purchase process
- purchase channel (broker/adviser or direct)
- attitudes towards insurance brokers and advisers
- demographics

Respondents were screened to ensure that they were responsible for making insurance decisions for their businesses. Quotas around region and business size ensured that representative samples were obtained.

Businesses were divided into two groups, following Statistics New Zealand standards:

Micro

Businesses which employ 0 (self-employed)-5 employees

Small

Businesses which employ 6-19 employees

* This research was conducted by BrandMatters. See www.brandmatters.com.au .

Disclaimer: This Asteron Life SME Insurance Index Report ('Report') has been prepared for general information purposes only. Asteron Life Limited ('Asteron Life') and its related companies do not assume or accept any liability whatsoever arising out of or relating to this Report or the information it contains. While all care has been taken, Asteron Life and its related companies do not give any guarantees, undertakings or warranties concerning the accuracy, reliability, completeness or currency of the information provided. This Report is not a recommendation or statement of opinion from Asteron Life; it is based on independent third party research commissioned by Asteron Life and should not be used as the basis for any decision in relation to the acquisition or disposal of insurance products or the use of broker services. Readers should confirm information and interpretation of information by seeking independent advice.



For more information visit asteronlife.co.nz/sme-index or contact your Business Development Manager.