

Broker Talking Points: Six Reasons Why Small Businesses Still Need Insurance

One of the inevitable consequences of the UK's ongoing efforts to slow and control the spread of COVID-19 has been the impact on small businesses across the nation. Necessary though they were, social distancing and "lockdown" measures left many struggling to cope with significantly reduced income and rushing to cut costs.

Even now, as the government reopens large sections of the economy, big challenges remain and, for many small businesses, cost control remains a top priority. Naturally, that leads to questions about insurance – questions like "Is insurance a financial burden that I could do without?" and even "My business is still closed, why do I need insurance?".

There is a clear knock-on effect for brokers. Clients may be unwilling to renew, more likely to shop around for lower premiums, and new business may be harder to secure. Clearly, however, as many businesses take their first steps to recovery, maintaining business insurance cover is as important as it ever was – so overcoming objections, clearly explaining the need to retain insurance cover, and addressing cost concerns will be vital to brokers' own recovery.

With that in mind, we have developed six talking points, to help you engage with clients:

1 **If your business has diversified, or its operations changed during lockdown, we need to review your insurance programme.**

Whether clients are open for business or still awaiting the green light from government, renewal and sales conversations are likely to be particularly difficult – so effective conversation starters are vital.

There are many ways to do this but using real business issues that clients are facing now is a great way to get their attention before moving the conversation onto insurance issues. One such approach, as the economy starts to reopen, is to initially focus conversations on "reviewing insurance arrangements" in the light of possible changes to the business – for instance, whether it has diversified, closed down some operations, employs fewer people, earns less income, owns fewer assets or now sells more overseas.

Clearly, any such change could potentially alter the business' insurance needs - either to ensure diversified or international operations are covered, or to ensure that insurance arrangements are appropriate for a reduced or otherwise altered risk profile.

This "consultation-led" sales approach can help to reinforce your position as a trusted advisor and could even help clients reduce insurance spend – though any reduced cover would clearly need to be reviewed regularly if exposures increase as the business returns to growth.

2 Concerns about the cost of insurance are understandable, but we can help soften the blow

Working with a broker gives clients access to experts able to understand their businesses in detail and design a highly efficient insurance programme – tailor-made cover that delivers only the protection they need; no more, no less. What’s more, Marsh Networks brokers can call on exclusive products and rates to help secure that cover at a differentiated price.

Equally, there are ways to spread the cost of insurance. Marsh Networks brokers can offer broad ranging cover on a monthly payment plan to spread the cost, thanks to close relationships with finance providers.

Brokers should understand the additional financial support that is available to clients through government initiatives – whether that’s a grant, Coronavirus Business Interruption Loan Scheme (CBILS) or Bounce Back Loan. We have worked with a number of providers to provide funding options for clients that can support a business with the right arrangement, on the right terms, for a number of purposes.

3 If your client employs people, employers liability insurance is still a legal requirement

If clients still have employees under contract, whether they are working or not, furloughed or not, they are still legally required to have employers liability insurance in place. Failure to take out cover can lead to rapidly mounting fines - £2,500 for every day cover is not in place¹.

It is also worth reminding clients that employers liability cover is there to help with things like legal fees and compensation if a member of staff is injured or falls ill while working for them.

? **The question for clients is:** Without employers liability in place, could your business survive the reputational damage, fines, legal costs, and compensation that could follow if something were to go wrong?

4 Clients won’t be covered for historical liability claims if they don’t have cover in place

Particularly for clients who have temporarily stopped or reduced trading, there may be a temptation to “pause” vital liability covers like professional indemnity and public liability.

Clearly, however, this approach overlooks the “claims made” nature of these covers, so cancelling or pausing cover could leave clients exposed if a historical liability claim were to emerge.

Remind these clients that these covers are designed to protect them if a client, customer or member of the public makes a claim against them, even a historical claim – but that cover must be in place at the time of the claim, regardless of when the incident it relates to happened.

? **The question for clients is:** Could your business survive and recover if it was affected by a new or historical liability claim, without cover in place?

5 Leaving property uninsured is a false economy that could undermine or halt business recovery

Not every sector has the green light to reopen, and even for those that do, not every business will open immediately. However, even if a client’s business premises are temporarily closed, they are clearly still subject to risk. Without the right level of property cover in place, premises, stock, and equipment are exposed to the risk from potentially devastating incidents like fire, flood, escape of water, accidental damage, and theft. In fact, there is some evidence to suggest that crime against small business premises increased during lockdownⁱⁱ.

? **The question for clients is:** If you lost the premises, your stock, and equipment you rely on, would you be able to recover without insurance to help with the cost?

6 Clients without insurance may miss out on new business and trade body support

From accountants to electricians, trade bodies can be vital sources of training, guidance, and support – particularly at times of crisis. However, some of these bodiesⁱⁱⁱ stipulate that having valid business insurance in place is a condition of membership – so failure to insure could leave clients struggling to recover alone, without trade body support.

Similarly, clients looking for a post-lockdown rebound could find themselves shut out of vital new business if they don't have the right business insurance in place – with clients demanding proof of insurance before awarding contracts.

The question for clients is: Is insurance cost-cutting really worth the risk of missing out on the support and new business that could be vital to business recovery?

Please get in touch for an informal conversation on any matters covered in this document or to discuss the support available from Marsh Networks:

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ⁱ <https://www.gov.uk/employers-liability-insurance>

ⁱⁱ <https://www.express.co.uk/news/uk/1261915/coronavirus-uk-crime-burglaries-shops-pubs-uk-lockdown-police>, https://www.vice.com/en_uk/article/wxem4w/shoplifters-pickpockets-stealing-coronavirus-crime

ⁱⁱⁱ For example, ICAEW, NICEIC, ELECSA

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