



EBOOK

SME Insurance in Transition: Adapting to a Digital-First World

sapiens 

Introduction

Small businesses – the lifeblood of the UK economy – are riding a digital wave that's reshaping the SME insurance landscape faster than ever.

This seismic shift of change is prompted by the fast adoption of digital tools by small and medium enterprises (SMEs) and their demands for more simplicity in managing insurance coverage.

As these changes flood the ecosystem, insurers must evolve to keep pace. This eBook explores this dynamic shift and how intelligent software solutions are serving the needs of a fast-moving, digital-savvy sector.

SMEs, defined

The European Commission defines small businesses as having fewer than 50 employees and an annual turnover or balance sheet total below €10 million. Medium enterprises have fewer than 250 employees, annual turnover below €50 million, or balance sheet total below €43 million.



Economic impact

Globally, SMEs play a critical role in economic growth and job creation, making up more than **90%** of all firms, and contributing about 50% of GDP and 70% of total employment. In the UK, SMEs account for **99.9%** of the business population and more than 60% of the workforce.

Their evolution over the last two decades was marked by the impact of COVID-19, digital transformation, remote working, and ecommerce. Key regulatory shifts from GDPR, Brexit, and evolving tax laws, as well as economic challenges such as the 2008 financial crisis have also contributed to the uncertain landscape.



How SMEs buy insurance

As online platforms developed and adoption rates surged, more than 60% of SMEs in the UK bought insurance online in 2021. Online insurance providers like Simply Business highlight the expanding role of digital platforms in simplifying insurance purchases for SMEs.

Tech-driven approaches that focus on convenience and speed empower users to compare policies from leading providers and seamlessly conduct purchases online. Not only do online platforms meet the dynamic needs of SMEs, they also align with SME preferences according to insurance trends.



The hidden risk: Underinsurance among UK SMEs

Underinsurance is a silent yet costly risk for UK's small businesses, with an estimated 80% of SMEs underinsured. The percentage of SMEs without any insurance at all rose from 40% in 2021 to 44% in 2022.

Why? Many business owners underestimate their needs, assuming their operation is "too small" (47%), they work from home (42%), or they lack significant assets to protect (33%). But when unexpected events happen, the gaps in coverage can have devastating consequences.

Adding to this challenge is a generational shift. Younger SME owners, who are accustomed to digital-first solutions, now dominate the entrepreneurial landscape. Their expectations for fast, self-service digital tools reflect their personal experiences with online shopping and banking. For insurers, this means creating seamless, user-friendly platforms for purchasing, managing, and understanding business insurance is not just a convenience – it's a necessity. Accessible quotes, intuitive comparison tools, and clear education on coverage requirements are key to bridging the insurance gap and protecting SMEs from future risks.



Empowering the SME insurance evolution

The SME commercial insurance market is at a tipping point, driven by rapid digital adoption, evolving customer demands, and the ongoing challenge of underinsurance. The door is wide open for insurers to capture the vast market by improving customer service and providing superior user experiences.

To reach the SME commercial insurance market, insurers need to think about an intelligent approach that meets the needs of SMEs and brings together product, underwriting and data creating personalised digital solutions:

1 Data

Data prefill to reduce the input required from the customer, data enrichment to configure the product to the specific SME business

2 Real-time updates

Configure and quote in real-time to provide the relevant recommendations on level of cover and service

3 AI-driven

Build confidence with 'businesses like you' cover suggestions and generating summaries to educate agents to understand the SME business

Sapiens has developed a solution that combines real-time insights, intuitive design and the power of GenAI to simplify operations and deliver unparalleled value to insurers and their clients.

This could transform your small business sales and service capability, reimagining how you engage with SMEs. As the industry embraces AI and innovation, SME insurers have the opportunity to close coverage gaps and drive smarter, more efficient results.

About Sapiens

Sapiens International Corporation N.V. is a global leader of AI-centric, SaaS-based insurance software, delivering hyper-relevant experiences that are efficient, compliant, and innovative. With agile intelligence, Sapiens' solutions turn real-time data and human insight into precise action at every moment, across every risk. The Sapiens platform includes agentic workflows accelerating every capability across policy, underwriting, claims, reinsurance, decisioning, and finance and compliance. With more than 600 insurers in over 30 countries running on Sapiens, our deep industry expertise is the foundation of our long-term relationships, from initial implementation through to modernization and market transformation. Sapiens is headquartered in London, serving customers in property and casualty, life, reinsurance, specialty, and workers' compensation from offices across North America, Europe, the Middle East, and Asia Pacific.

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