

SME Business Insights

How SMEs Can Reduce Insurance Expenses



Provided by: MacKay Corporate Insurance Brokers

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Insurance premiums are a significant recurring operational cost, especially for small- and medium-sized enterprises (SMEs). Core policies—such as public liability, commercial property, and commercial motor insurance—are essential for risk mitigation, yet their cumulative cost can strain smaller companies with limited resources. This challenge is further intensified by shifting market dynamics, including inflationary pressures, labour shortages, and the increasing frequency of extreme weather events, all of which can contribute to rising premiums and further stretch operational budgets.

However, cutting costs by reducing insurance cover can leave businesses dangerously exposed. A single incident—such as a legal claim, motor accident or property loss—can result in severe financial consequences or even threaten an SME's viability. On the other hand, acquiring robust insurance cover at the right price can financially protect SMEs from unexpected events and help them recover more quickly from setbacks.

As such, SMEs should consider ways to reduce their insurance expenses without compromising the cover they need to survive and thrive.

Ways to Reduce Business Insurance Costs

SMEs should consider the following strategies to manage insurance expenses effectively and reduce financial risk:

- **Bundle policies.** SMEs can consider the merits of bundling essential cover types (eg public liability, commercial property and business interruption insurance) into one single, tailored package. Bundling policies simplifies insurance management and may qualify SMEs for discounted premiums.

As risks evolve and market dynamics shift, SMEs should explore ways to reduce insurance expenses—without compromising on cover—to stay protected, resilient, and financially agile.



- **Increase the excess.** Raising the excess—the amount paid out of pocket before insurance cover begins—can lower premiums, improve cash flow and allow for the redirection of funds to other business priorities. However, SMEs should ensure deductibles remain affordable to avoid financial strain when filing a claim. Paying premiums annually rather than monthly may also reduce costs, as many insurers offer discounts for lump-sum payments.
- **Implement robust safety measures.** Insurers may offer discounts to businesses with strong safety records. SMEs should develop a comprehensive safety programme, including regular risk assessments, disaster preparedness measures and robust staff training. A strong safety culture and clearly defined safety procedures can help reduce accidents and claims.
- **Enhance security systems.** SMEs should review physical security—such as alarms, CCTV, and secure locks—and strengthen cyber-security through firewalls, antivirus software, and employee training. Strong security measures may qualify SMEs for lower premiums, especially for commercial property and cyber-cover.
- **Maintain continuous and appropriate cover.** SMEs should review their insurance regularly to ensure it aligns with current operations and risk levels. Implementing safer practices, reducing claims, or discontinuing high-risk services can improve a company's risk profile and lower premiums. Avoiding gaps in cover is also crucial, as lapses may increase future costs or limit insurer options.
- **Maintain a good credit history.** SMEs should take steps to maintain good financial standing, as strong credit scores are associated with lower risk and can lead to reduced premiums across key policy types.

Consult With an Insurance Broker

Managing insurance costs is a critical component of sound business strategy. SMEs can optimise their insurance spend without compromising protection by proactively reviewing cover, implementing risk-reduction measures, and bundling policies. For ultimate protection, SMEs should work with a broker to navigate policy options and find the best insurance cover for their unique circumstances. Contact us today to find out more.

Taking steps to reduce insurance expenses can preserve cash flow, increase resilience and support long-term sustainability. Robust risk management and working with a broker to compare policies can yield significant savings without sacrificing protection.

