

Proactive risk thinking, better insurance outcomes – SMEs.

Why companies who think about risk early achieve superior cover, clearer policy wordings, and stronger claims outcomes – and what to do about it.

For a business, insurance is not just a product to be renewed. It is the financial result of a year's worth of risk thinking. The managers and directors who think about risk proactively – and who can demonstrate that thinking to an underwriter – consistently get better cover, more responsive wordings, and stronger claims outcomes than those who treat the renewal as an administrative exercise. The difference is not about premium. It is about how the business presents and differentiates itself to the market.

The amplified vulnerability of SMEs.

Small businesses face the same categories of risk as large ones, but with materially less ability to absorb the impact. Where a large business can survive a major operational, financial or reputational event with limited disruption, an SME often cannot. Income, customer trust, and continuity are more concentrated in fewer relationships and fewer people, and a single significant event can put the entire business at risk.

How SME management thinks about risk, therefore, matters more than it does for a larger business. It is not a board-level luxury – it is core operating discipline.

74%

of small businesses have never completed a formal risk assessment

76%

of small businesses describe their approach to risk management as *ad hoc*

(Vero SME Index 2025)

The implication is that the average SME has the same risk exposure as a larger competitor but materially less operational discipline behind it. That gap is what proactive risk thinking closes.

The risks every SME director should be thinking about.

Risk in an SME is not a single exposure. Risk spans six broad categories, each of which can affect business continuity, financial performance, and – eventually – what an insurer is willing to insure and on what terms.

The six categories

- **Financial.** Cash-flow volatility, debt servicing, credit availability, working-capital pressure.
- **Operational.** Process failures, supply-chain disruption, key-person dependency, system outages.
- **Strategic.** Market shifts, competitive pressure, customer concentration, technology disruption.
- **Compliance.** Regulatory change, contract obligations, employment law, work health and safety.
- **Technological.** Cyber exposure, system reliance, data protection, vendor risk.
- **Reputational.** Brand damage, customer trust, social media exposure, public complaints.

The six categories are interconnected: a cyber incident becomes a reputational event; a supply-chain disruption becomes a cash-flow problem; a regulatory engagement becomes a director-personal exposure. The discipline is to understand each category in isolation and the connections between them.

For an SME director, the discipline is not to manage every risk equally. It is to understand which of the six categories matter most to your specific business – and to apply that judgement consistently.

What proactive risk thinking actually means.

A risk-thinking discipline for an SME does not require a dedicated risk officer, a formal framework, or expensive software. It requires four habits, practised consistently across the year. Each is small in isolation. Together they produce a business that thinks differently about risk – and is better positioned when the renewal comes.

The four habits

- **Maintain current risk management documents.** Procedures, protocols, incident response plans. These do not need to be elaborate – a one-page document for each major risk may be more useful than a fifty-page binder no one reads.
- **Maintain a Risk Register.** this could be simple (three or four key risks) or more detailed, outlining risks that would most materially affect the business. Keep this document consistently updated. This is one of the most important pieces of risk thinking an SME director can do.
- **Record what you actually do.** Most SMEs already manage their major risks operationally; few document the fact that they do. The documentation is the evidence and allows underwriters to offer improved terms.
- **Table emerging risks.** Cyber, climate, AI, regulatory change, supply chain shock. The categories shift faster than most insurance programs are reviewed. Annual board or management conversation keeps the risk picture current.

A positive renewal outcome is shaped long before renewal day – it is the evolution of proactive risk thinking across the year.

Why the effort pays back.

The discipline of risk management and documented risk thinking produces benefits across the business, not just at the insurance renewal.

It strengthens **operational resilience**, improves **financial decision-making**, builds **competitive advantage**, and protects **reputational standing with customers, employees and stakeholders**.

An underwriter looking at two businesses with similar profiles – one with documented/ proactive risk thinking and one without – will generally offer different terms. The insurance outcome is the most visible result – but it is not the largest.

Sources and further reading

The statistics and observations in this guide draw on the following sources. They are listed for readers who want to verify the figures or read further. All sources are publicly available.

AUSTRALIAN FINANCIAL REVIEW

Boardroom unknowns: invisible risks leave businesses vulnerable.

AFR feature on emerging interconnected business risks in the SME and mid-market segment.

<https://www.afr.com/companies/professional-services/boardroom-unknowns-invisible-risks-leave-businesses-vulnerable-20250723-p5mh7f>

SUNCORP

SME Insurance Index.

Suncorp's research on SME risk management approaches, including the proportion of SMEs taking an ad-hoc approach to risk.

<https://www.suncorpgroup.com.au/assets/documents/suncorpgroup/2026-vero-sme-index-report.pdf>

Australian Government - Business.gov.au

Risk assessment and planning.

Australian government website providing useful tools and information for businesses in respect to Risk Management and planning.

https://business.gov.au/risk-management/risk-assessment-and-planning_

General advice only. This guide is general information only. The sources above are publicly available and current at the time of publication.