

# Report: Most Small Businesses Are Underinsured

**I**T IS GOOD news that small businesses are thriving, with many of them enjoying growing sales over the last two years. The bad news is that their insurance protection has not kept pace, according to a recent report. That means an accidental loss could undo all the progress they've made, or even threaten their survival.

The report by specialist insurance company Hiscox found that 75% of small businesses do not have sufficient insurance. It revealed some unsettling truths:

## INADEQUATE COVERAGE

- General liability insurance protects against lawsuits for bodily injuries, property damage, and personal and advertising injuries. Only two-thirds of small businesses have this coverage, while 100% of them may face these lawsuits.
- Less than half have insured their business property, such as machinery, equipment and tools.
- Only one-third carry workers' compensation insurance, which every state but Texas mandates. This coverage pays for the cost of providing required benefits to injured workers. The employer owes the benefits to the worker whether or not there is insurance.
- Even fewer carry professional liability insurance, which protects against lawsuits alleging mistakes in giving professional advice.

## Coverage confusion

Many business owners also do not understand what their insurance policies cover. Fewer than one in five could correctly describe what a general liability policy covers, according to the report. Many were surprised to learn that their property insurance does not cover damage caused by earthquakes or floods.

Despite all this, most business owners recognize that they need insurance. More than two-thirds of those surveyed said they bought coverage out of concern about the potential

consequences of uninsured losses. Only 20% said they bought it because a law or business partner required them to.

Most also recognize that they don't know what they don't know, so they seek expert help. Seven in 10 business owners used an insurance agent to buy coverage because of the agent's expertise.

More than half said that agents are the most helpful source of information; the rest said insurance companies' websites were helpful sources.

## What you can do

To make sure they have the insurance protection they need, the report recommends business owners take these steps:

1. Do your homework before buying or renewing policies. Research the various coverages online or get expert advice from us. When you work with us, provide complete and accurate information about your business. It can be tempting to withhold some information in the hope of keeping the premiums low. You should resist that.

We need a complete picture of your business to match you with the right coverages provided by the right insurer. Also, an insurance company may deny coverage for a claim or even cancel a policy because the policyholder did not disclose key information.

2. Review your insurance program at a minimum once every two years; more often if revenue or payroll have risen or fallen by 20% or more. Your business is always changing; the business's insurance needs will, as well.

## The takeaway

You put everything you have into growing your business. Not having the right insurance could cost everything you've worked so hard for.

Getting sufficient coverage will help you protect your most valuable asset — your business. ❖



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