

2023 Hiscox
Underinsurance
Report





Many business owners buy insurance when their business starts taking off — it's one important thing to check off the list. But business needs can change, and sometimes, the insurance you bought early on no longer fits, and your business may not be as well protected as you think.





The 2023 Hiscox Underinsurance in Small Business Report gauges US businesses' protection against potential lawsuits and claims, as well as testing their understanding of insurance policies.

Here's what we learned.

Small businesses are changing

Many small businesses' revenues are on the rise, as 47% of small businesses surveyed have experienced a revenue increase since 2021. Just 32% have had a decrease in revenue. Those businesses that have expanded in the past two years may now be underinsured, while those that have seen revenues drop may be paying more than they need to.

The type of coverage most businesses have is also important. When we asked what kind of coverage businesses had, this is what we found:

-  **65% had General Liability coverage**
of the small business owners surveyed. This is the foundational coverage that nearly every business, no matter how small, should have. Over one-third of all small business owners surveyed are unprotected against claims of bodily injury, property damage, and other common claims.
-  **45% (less than half) had Property insurance**
to protect their business property, like tools and equipment.
-  **35% had Worker's Compensation insurance**
which is mandated in nearly every state. It covers the costs associated with work-related accident or illness such as an employee becomes ill, is injured, or even dies on the job. It can cover medical costs and lost wages.
-  **32% had Professional Liability insurance**
which protects businesses that provide professional advice to clients. The remaining two-thirds are unprotected against the financial implications of a lawsuit for negligence. You can be sued even if you haven't made a mistake.



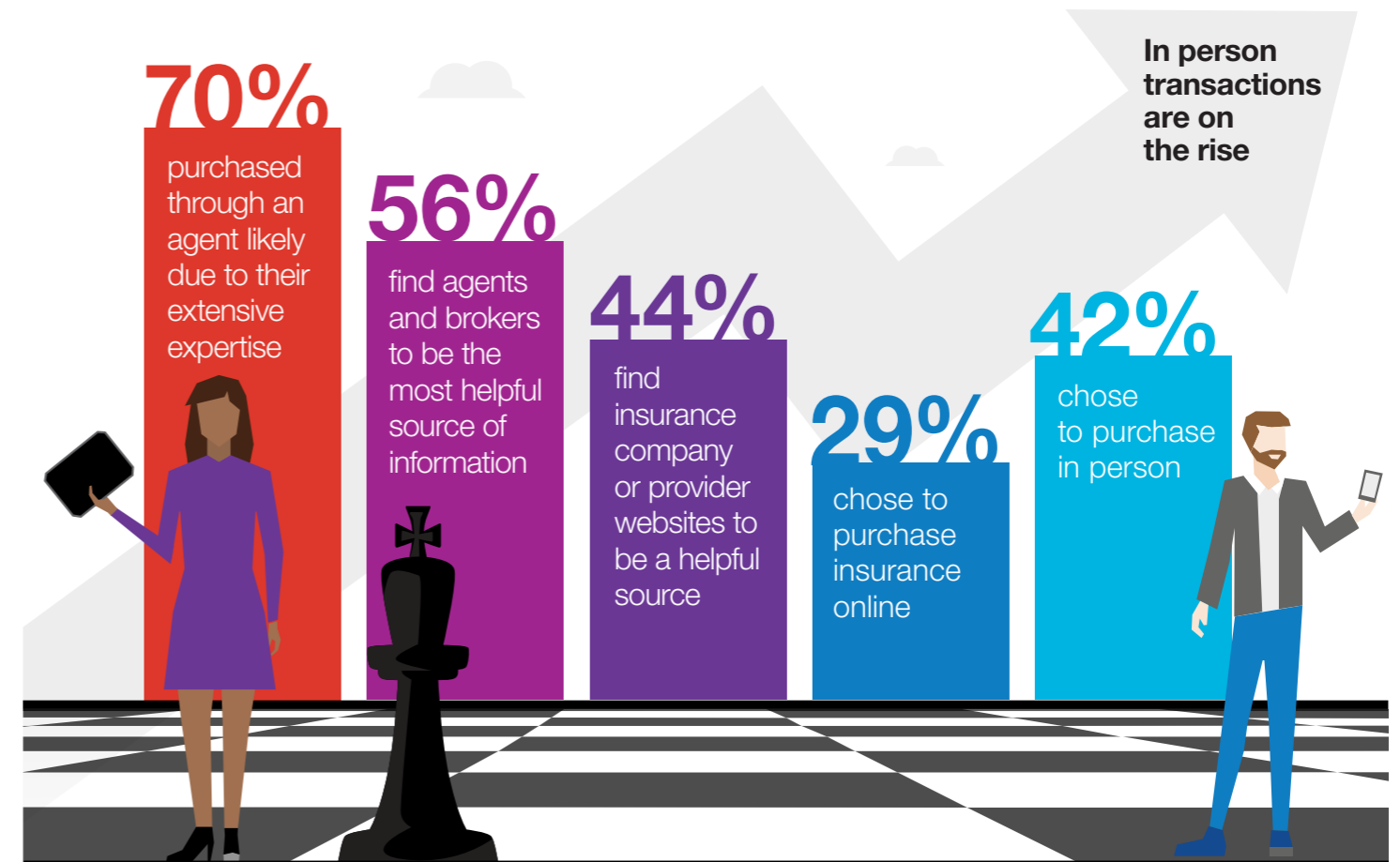
Business owners are proactive in their choice to purchase insurance



Business owners recognize the importance of protecting themselves and their business with insurance coverage. Over two-thirds of business owners (**68%**) purchased their coverage because they were concerned about the consequences of a potential claim. Of the small business owners surveyed, only **20%** noted they purchased insurance because it was mandated by a vendor or partner.

Insurance agents are still king

Business owners have a lot of choice about how to purchase their coverage, from buying online with minimal human interaction, to those who want an insurance agent to talk them through it. Even in the digital age, local insurance agents and brokers are still an invaluable resource for small business owners.



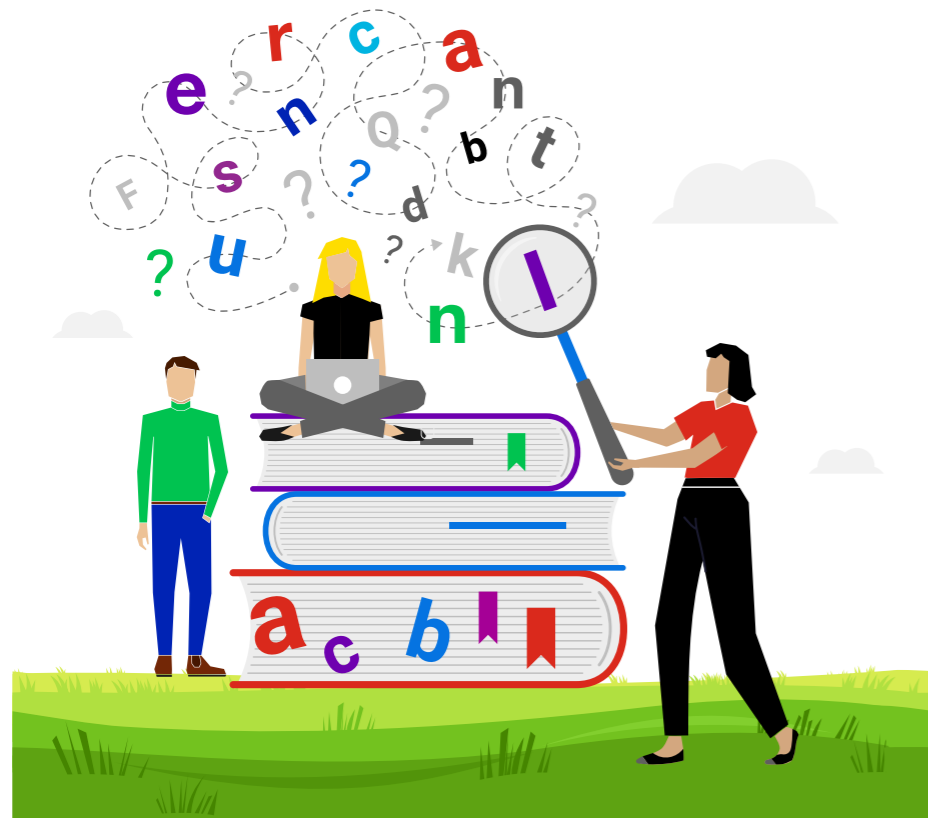
In person transactions are on the rise



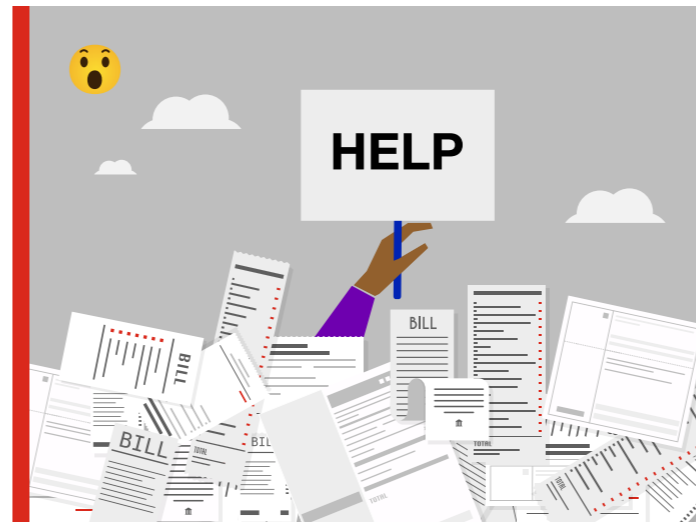
Brick and mortar shops are proving to be the comeback king. The global shift to online purchases during the pandemic may have only been temporary for some, as in-person transactions have been on the rise.

Widespread insurance illiteracy

Insurance is still a mystery to most small business owners in the US. The Hiscox survey revealed that most small business owners do not know what basic insurance policies cover, with **71%** not understanding what a Business Owners Policy (BOP) covers, and **83%** failing to correctly describe a General Liability (GL) policy's coverage.



A nationwide crisis of underinsurance

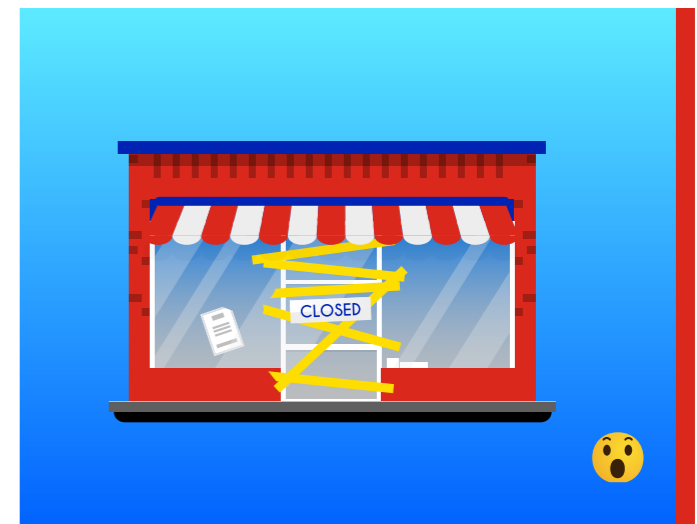


SHOCKINGLY

75% of small businesses in the US do not possess sufficient insurance.



This means that a small business owner would be financially liable for any claim over and above their insurance limit. With claims easily stretching into the millions, being underinsured can spell the end for a small business.





Knowledge is power

The first step toward making sure your business is well protected is to learn about business insurance and how it can help. Hiscox's Business Insurance 101 resource center is a great place to start. Along with explanations of each type of insurance your business may need, you'll find questions small business owners often ask. Since insurance terminology can seem confusing, you'll find some common terms and their definitions in the Hiscox Insurance Glossary. The Hiscox blog includes comprehensive information on how to start, grow and protect your business, as well as inspirational stories of how we at Hiscox encourage courage.

So, how do you make sure your business is adequately insured?

There are a few key steps you can take to make sure your business is adequately insured:

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Before buying or renewing insurance, research online or speak to an expert. You can find some great resources on our website [here](#), or speak to one of our licensed advisors **1-866-283-7545**.
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Tell your insurance agent the good, the bad and the ugly. Accurately representing your business means you'll get the right coverage that will protect you if the unexpected happens.
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Review your insurance every two years, or if your revenue or payroll has changed by more than 20% in either direction.

A growing business is a good thing but it's important to be sure your insurance coverage keeps up. After all, you want to protect the business you've worked so hard to build.

Survey Methodology

The Hiscox Survey was conducted by Wakefield Research (www.wakefieldresearch.com) among 1,000 US small business owners defined as those with 1 to 50 employees, between July 11th and July 23rd, 2023, using an email invitation and an online survey. Data has been weighted.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 3.1 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

About Hiscox

Hiscox is a global specialist insurer, headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). Through its retail businesses in the UK, Europe, and the US, Hiscox offers a range of specialist insurance for professionals and business customers as well as homeowners. In the US, Hiscox Small Business Insurance is underwritten by Hiscox Insurance Company Inc., a Chicago-based insurer that is licensed across the United States. For more information, please visit www.hiscox.com.

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