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Despite concerns over maintaining an income and being able to make long term plans for growing a business, nearly a third (29%) of SMBs are putting their future at risk by having no forms of insurance whatsoever, nor do they have a solid contingency plan in place to mitigate this risk.

That's according to the first *Annual Risk Survey* from [InsuranceBee](#), a small business insurance broker.

A thousand US small business owners were asked whether they considered themselves risk takers, what they felt the main risks to their business were, and whether they had made any contingency plans – financial or otherwise.

Contradictory findings

The findings were contradictory: with financial risk cited as the biggest concern for SMBs (93%) when setting up a business, and economic uncertainty keeping them awake at night once they are established (47%) it was surprising that many SMBs were without any form of business insurance to protect their income. This means they have no Errors & Omissions insurance in place, vital should a client try to take legal action against them for their work; no General Liability Insurance in place, crucial should someone file an accidental injury claim against them; and no Workers' Compensation Insurance, opening themselves up to expensive lawsuits by employees – to name but a few.

“Insurance policies are not ‘nice to haves’,” said Maureen Brogie, Senior Advisor for

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unaware of the risks, with some feeling that because they operate in an ethical manner they do not need insurance, and others simply stating that they are able to deal with issues themselves.

Twenty-seven percent of SMBs have cash put aside to mitigate risk, but of these respondents a third have only made a rough estimation of how much they actually need, and 28% are reliant on whatever is in their bank account at the time. SMBs may assume that having cash in the bank is enough, but with an average lawsuit for a slip or fall costing upwards of \$20,000*, many small businesses would be hit hard – potentially causing a business to cease operating.

Sole proprietors at risk

In addition, the survey revealed that sole proprietors and those earning less than \$50,000 per year are the most likely to not have business insurance, leaving them completely exposed should something go wrong.

Brogie continued: “Micro-business owners and sole proprietors with no form of insurance are putting their income at risk on a daily basis. Without this safety net, a single claim made against them could destroy their business overnight. And as sole proprietors’ finances are often tied to their family’s income when one is at risk, so is the other.”

Considering the issue of an unjustified claim, Brogie said: “Many of the SMB owners surveyed might think insurance is not a necessity, but what they often don’t realise is that insurance can cover their defense costs – even if a claim made against them turns out to be groundless. Legal fees can stack up quickly and it’s very hard for any business, large or small, to know how much cash they need to have in reserve to be able to deal with such an incident.”

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