

# SMALL BUSINESS OWNERS' ATTITUDES TOWARD LIABILITY INSURANCE: AN EXPLORATORY STUDY

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## ABSTRACT

*Small businesses play a significant role in the U.S. economy. However, running a small business is a risky endeavor, and, as such, risk management is an important aspect of operating a small business. One of the greatest concerns for nearly any small business is their potential to be sued by another party. Liability insurance provides financial protection against those lawsuits. So far, there is little research on the attitude of small business owners toward liability insurance and their perception of the process of shopping for liability insurance. This research sets out to study these issues. We collected data from 200 small business owners, and found their attitude toward liability insurance and perception of the insurance purchase experience are related to: the industry sector; the age of the business; the percentage of the owner's income from the business; whether the business owns or rents the physical location of the business or is home based; the number of employees; and, the business owner's age, gender, and level of educational attainment. Implications of the findings are discussed.*

**KEYWORDS:** *Small business, risk management, liability insurance, perception of insurance*

## INTRODUCTION

Small businesses are the backbone of the U.S. economy, responsible for most new jobs created (Bureau of Labor Statistics, 2024). As such, small businesses play a significant role in our society. However, owning a small business is a risky endeavor. A Bureau of Labor Statistics (2024) report indicates at least 20-30% of new businesses fail in their first year. Past research has identified a number of reasons for small business failure (Abdelsamad & Kindling, 1978; Chaney, 2016; Desjardins, 2017; Everett & Watson, 1998; Gaskill, Van Auken & Manning, 1993; Goltz, 2011; Lussier, 1996), including excessive optimism, inadequate board membership, nepotism, inability to delegate, negligence in developing subordinates, financial pitfalls, underestimation of economic effects, lack of a cash cushion, operational inefficiencies, dysfunctional management, lack of a succession plan, poor management and leadership, expanding too quickly, ill-defined markets, and poor employee teams.

Larger businesses have the advantage of diversifying risks by often engaging in different business activities and industry sectors. For small businesses, however, an unexpected loss could force the business to close its doors and drive the owner(s) into bankruptcy. Therefore, risk management needs to be a critical aspect of operating a business (Berry & Dunn, 2010). The literature on risk management of small and medium enterprises (SMEs) is limited. As indicated by Berry & Dunn (2010), given the importance of SMEs in the economy, expanding our knowledge about SME risk management is critical.

An important part of risk management is selecting and purchasing liability insurance policies. One of the greatest concerns for nearly any small business is their potential to be sued by another party. Liability insurance provides financial protection against those lawsuits. How business owners perceive liability insurance and the insurance purchase process would likely have a direct impact on their risk management practice. As far as we know, there is no empirical research yet on this issue. Therefore, this research aims to fill this gap. In the rest of this paper, we first review the relevant literature. Then, we introduce the methodology used. Following that, we present our research findings and provide the discussion and a conclusion.

## LITERATURE REVIEW

The limited research on attitude toward insurance products is mostly focused on individual consumers. Although our research is on small business owners' perception of liability insurance and the process of insurance purchase, it is insightful to explore the literature on consumer attitude toward insurance, as small business owners may carry their attitudes toward insurance into their small business practice. It should be noted that much of the research in this area has been conducted in the life/health segment of the industry and in non-U.S. contexts. Valentina-Danielaa & Gheorghieb (2015), for instance, studied Romanian consumers' attitude toward life insurance products, the level of information they have on these services, their purchase intention, the importance given to these services, and the degree of trust in them. Yusuf et al. (2009) examined Nigerian consumers' attitude toward insurance services in general and described such attitudes to be generally low. Similarly, Farooq et al. (2015) explored Pakistani consumers' attitudes toward life insurance. In a study of consumer perception of health insurance providers, Anandhi (2016) concluded that product features, accessibility, low premium amount, advertising, proper redressal of complaints, and better claim settlement are crucial factors that influence consumers' selection of insurance providers. On the issue of difference in attitude toward insurance between males and females, Stroe & Eliescue (2013) indicate that, as women are more risk averse than men, they may possess different perceptions of insurance products.

There is little research on the attitude of business owners toward insurance products. The limited extant research on businesses' usage of insurance products and its implications has mostly been conducted in developing countries. For example, Ajemunigbohun, Isimoya, and Elegunde's (2020) study of Nigerian SMEs found a significant positive correlation between insurance product patronage and business performance. A study of the impact of insurance products by Amaefula, Okezie, & Mejeha (2012) concluded that access to insurance products increased Malaysian farmers' risk tolerance. A recent study by Alaka et al. (2021), also in

Nigeria, investigated the impact of socio-economic and demographic factors on insurance-buying behavior of SMEs and concluded these are indeed influential factors in SMEs' decisions in purchasing insurance.

## METHODOLOGY

Since the purpose of this exploratory study is to understand business owners' perception of liability insurance and the insurance purchase process, we made adaptations to some well-established scales in the consumer behavior literature that have a long history in researching buyers' attitudes toward choosing products and efforts required in the product selection process. Specifically, Lastovicka & Gardner's (1979) components of consumer involvement were adopted as these items have long been used in consumer involvement research. In addition, several items on price perception scales developed by Lichtenstein, Ridgway, & Netemeyer (1993) were used to measure price perception aspects of liability insurance. Due to the unique nature of small businesses, only items from both sources applicable to the context of this study were selected. Furthermore, because these scales were initially created from the perspective of studying individual consumers, the wording of the scales need to be modified to make them suitable for insurance purchase by small business owners. These items were worded on a 1–7-point scale as shown in Appendix 1.

A survey was conducted among 200 small business owners in a southern U.S. state. In addition to the items shown in Appendix 1, the respondents also provided information on: industry sectors in which they operate; age of the business; number of employees; whether the primary business location is owned, rented, or home-based; whether the business would be passed on to an heir; percentage of the business owner's household income derived from the business; and, age, gender, and education attainment of the primary business owner.

As can be seen in the distribution of ages of small businesses surveyed, most businesses have been in operation for several years. Most of the businesses are owned by a single owner, but the ages of the primary business owners span a wide range, with the vast majority being above 25 years.

3-6 months	3
6 months - 1 year	7
Over 1 up to 2 years	16
Over 2 up to 5 years	42
Over 5 up to 10 years	45
Over 10 up to 20 years	40
Over 20 years	47

Figure 1

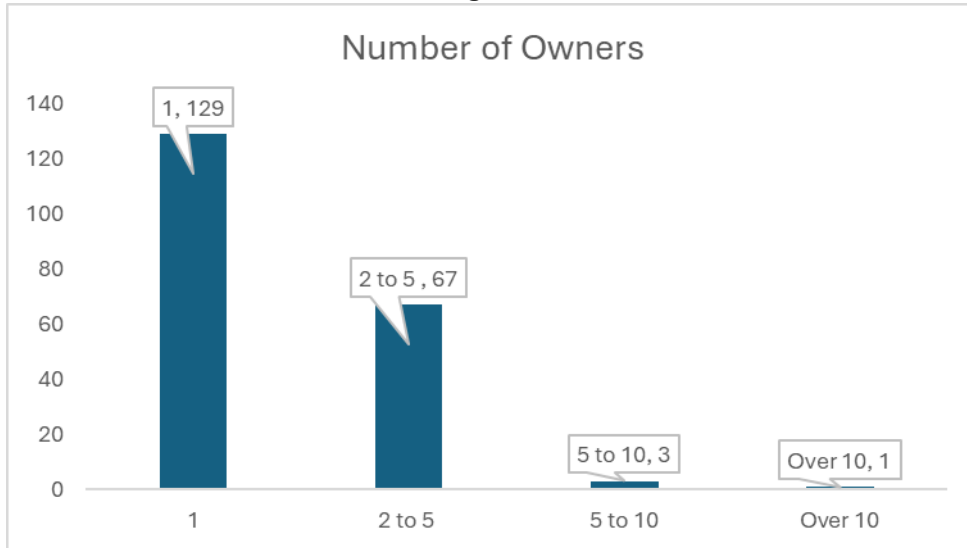


Figure 2

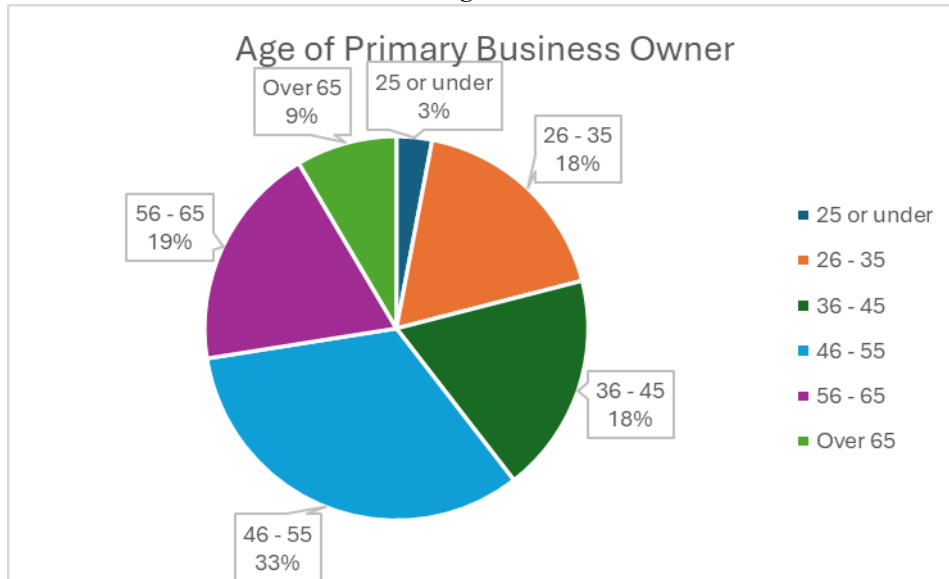
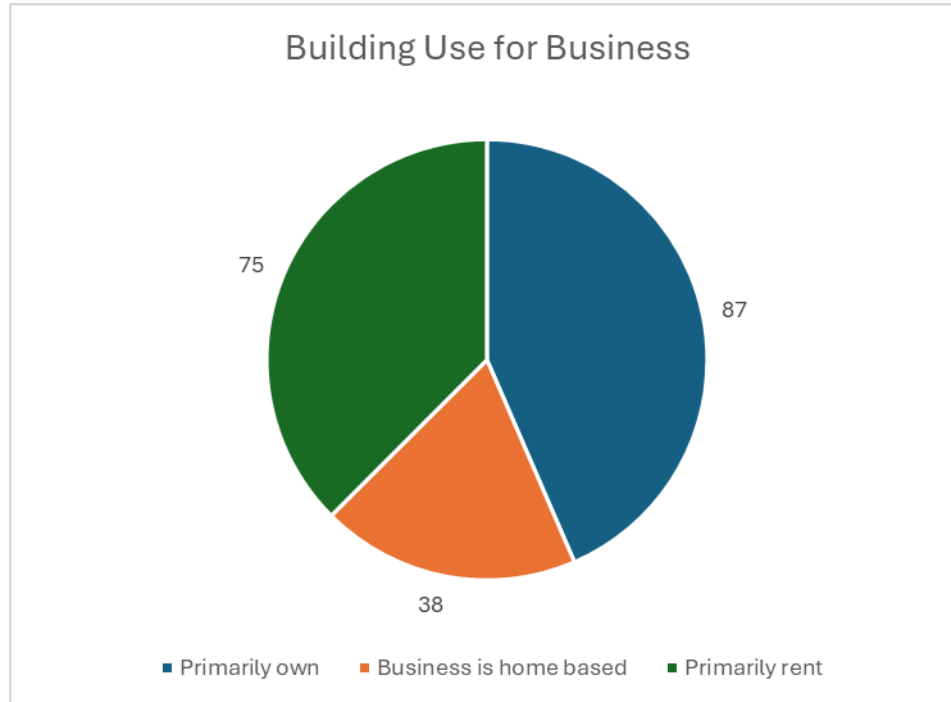


Figure 3



One of the important issues to be explored with the data is the potential association between the industry in which the small business operates and the owner's attitude toward liability insurance. The survey used the OSHA SIC codes to categorize industries, which led to a 15-group categorization of the industries based on the data. Some frequently used statistical techniques such as ANOVA have certain sample size requirements for each level of treatment, which, if not satisfied, might lead to misleading results with non-normal distributions. Even the Kruskal-Wallis non-parametric method for testing the differences among groups has sample size requirements that the 15-group categorization would not satisfy. We decided that the 15-group categorization could not be used due to sample sizes being too small in several industry categories.

After combining some of the industries, we decided that a 9-group scheme would be ideal for the data to balance the dual needs of obtaining satisfactory group sample sizes and reflecting variations among industry groups. The nine industry groups are: agriculture, forestry, and fishing; manufacturing; construction; mining; retail trade; wholesale trade; finance, insurance, and real estate; and, transportation, communication, electric, gas, and sanitary service; (other services). We did not have complete information on all respondents. Because of the small sample sizes for some of the groups, we adopted the Kruskal-Wallis test for the analysis of the

industry groups. The Kruskal-Wallis test is performed on the median rather than the mean (Cleophas & Zwinderman, 2016).

Industry	Number of businesses
Services	86
Retail trade	43
Construction	19
Finance, Insurance, and Real Estate	18
Agriculture, Forestry, and Fishing	7
Wholesale Trade	6
Manufacturing	6
Transportation, Communication, Electric, Gas, and Sanitary Service	5
Mining	3

## RESULTS

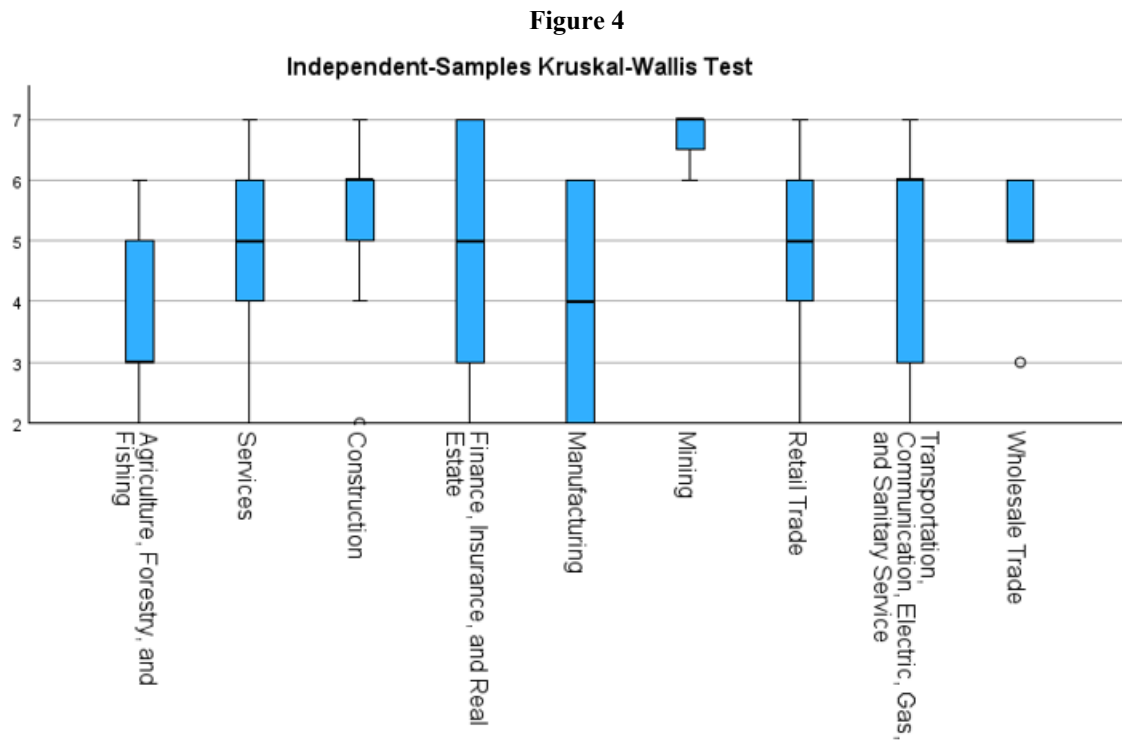
In this section, we present the statistically significant findings on the following: whether business owners' perception of insurance products as measured by the items in Appendix 1 are associated with industry categories, effects of demographic factors (owner age, gender, and education) on these perceptions; effects of age of the business; effects of percentage of income derived from the business; effects of whether the business location is rented, owned, or home-based; and, effects of whether the business will be passed on to heirs.

### Effects of industry categories

Among the different industry groups, we found significant differences for four of the fifteen items from Appendix 1. We discuss these findings below.

*If evaluating insurance carriers that provide liability coverage, I would examine a very long list of features provided by the carrier before purchasing. (p=0.048)*

The differences in the medians among the various industry groups are shown in the chart below.

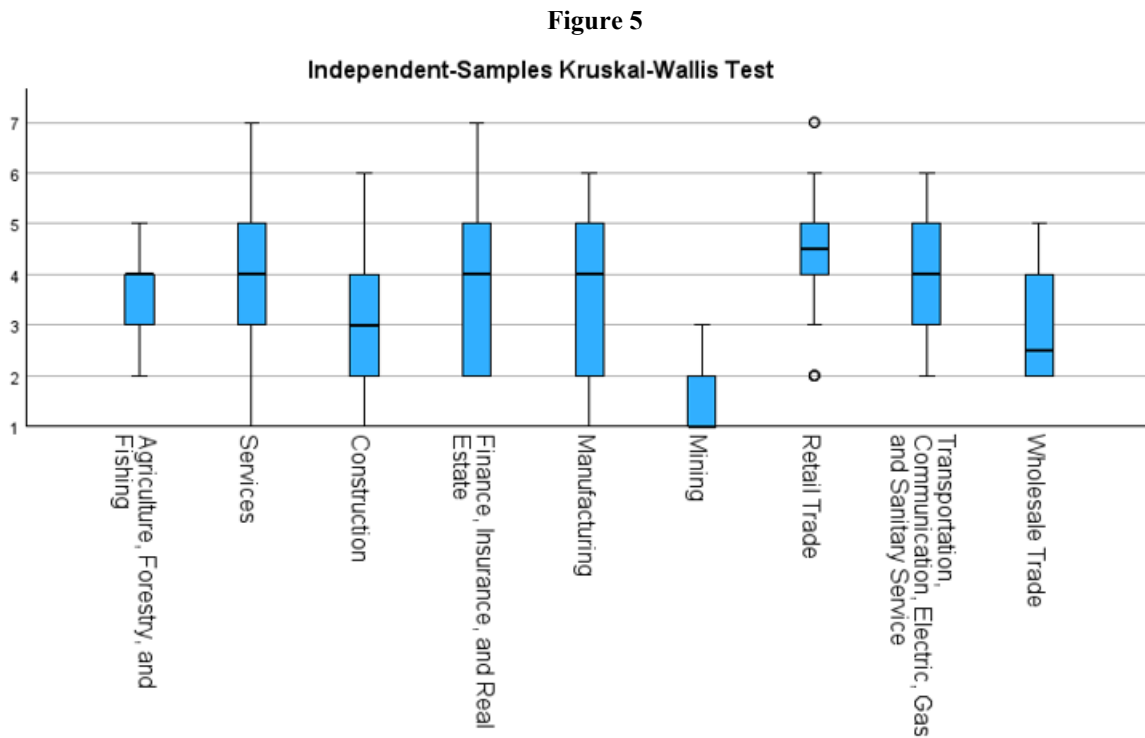


The statistically significant differences among the groups are:

- between “agriculture, forestry, and fishing” and “services” ( $p=0.050$ )
- between “agriculture, forestry, and fishing” and “construction” ( $p=0.012$ )
- between “agriculture, forestry, and fishing” and “mining” ( $p=0.005$ )
- between “manufacturing” and “construction” ( $p=0.034$ )
- between “manufacturing” and “mining” ( $p=0.010$ )
- between “retail trade” and “construction” ( $p=0.022$ )
- between “retail trade” and “mining” ( $p=0.015$ )
- between “finance, insurance, and real estate” and “mining” ( $p=0.033$ )
- between “services” and “mining” ( $p=0.042$ )

*Most of the insurance carriers that provide liability coverage are exactly alike.* ( $p=0.031$ )

The differences in the medians among the various industry groups are shown in the chart below.

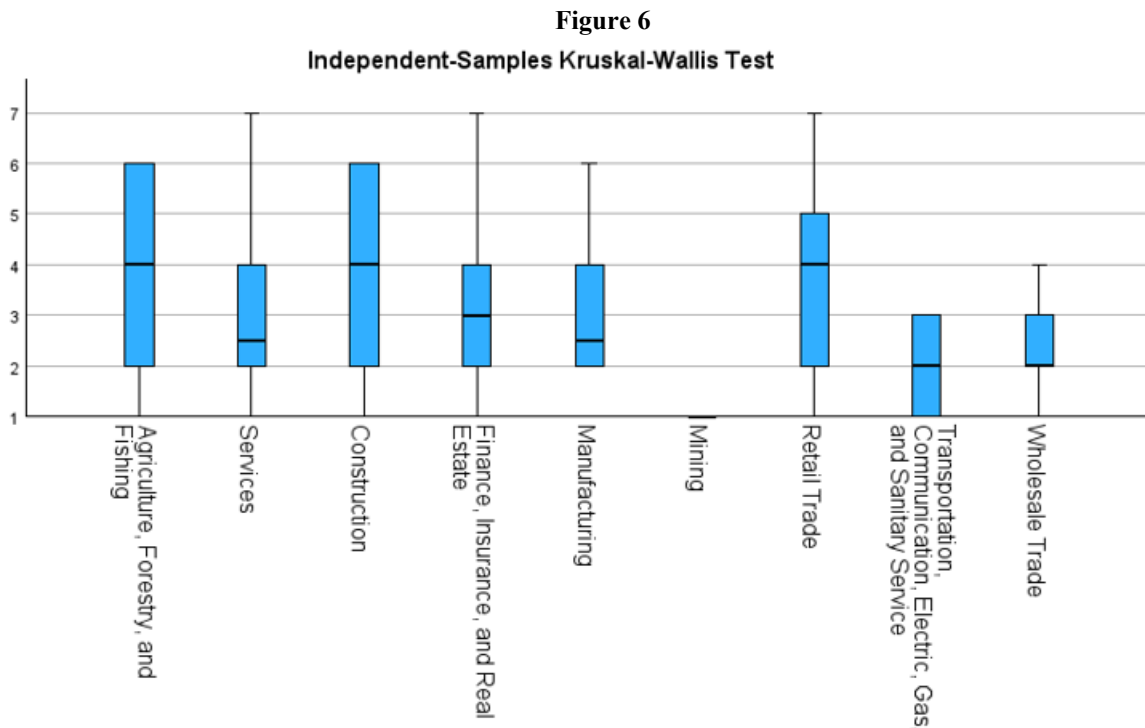


The statistically significant differences among the groups are:

- between “mining” and “finance, insurance, and real estate” ( $p=0.042$ )
- between “mining” and “transportation, communication, electric, gas, and sanitary services” ( $p=0.050$ )
- between “mining” and “services” ( $p=0.012$ )
- between “mining” and “retail trade” ( $p=0.005$ )
- between “wholesale trade” and “retail trade” ( $p=0.027$ )
- between “construction” and “services” ( $p=0.048$ )
- between “construction” and “retail trade” ( $p=0.009$ )

*I am not willing take the extra effort to find lower liability insurance prices. ( $p=0.023$ )*

The differences in the medians among the various industry groups are shown in the chart below.

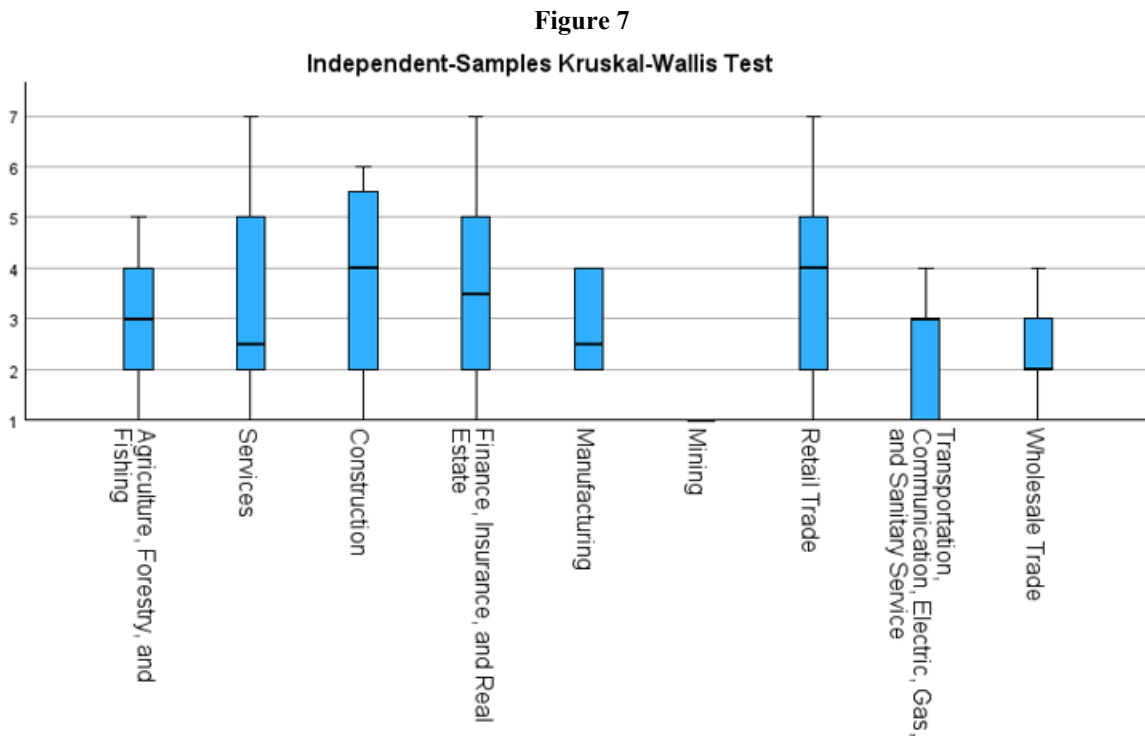


The statistically significant differences among the groups are:

- between “mining” and “services” ( $p=0.019$ )
- between “mining” and “finance, insurance, and real estate” ( $p=0.020$ )
- between “mining” and “manufacturing” ( $p=0.035$ )
- between “mining” and “construction” ( $p=0.004$ )
- between “mining” and “retail trade” ( $p=0.003$ )
- between “mining” and “agriculture, forestry, and fishing” ( $p=0.010$ )
- between “transportation, communication, electric, gas, and sanitary service” and “construction” ( $p=0.047$ )
- between “transportation, communication, electric, gas, and sanitary service” and “retail trade” ( $p=0.030$ )
- between “services” and “retail trade” ( $p=0.027$ )

*The money saved by finding lower liability insurance prices is not worth the time and effort.  $p=0.011$ )*

The differences in the medians among the various industry groups are shown in the chart below.



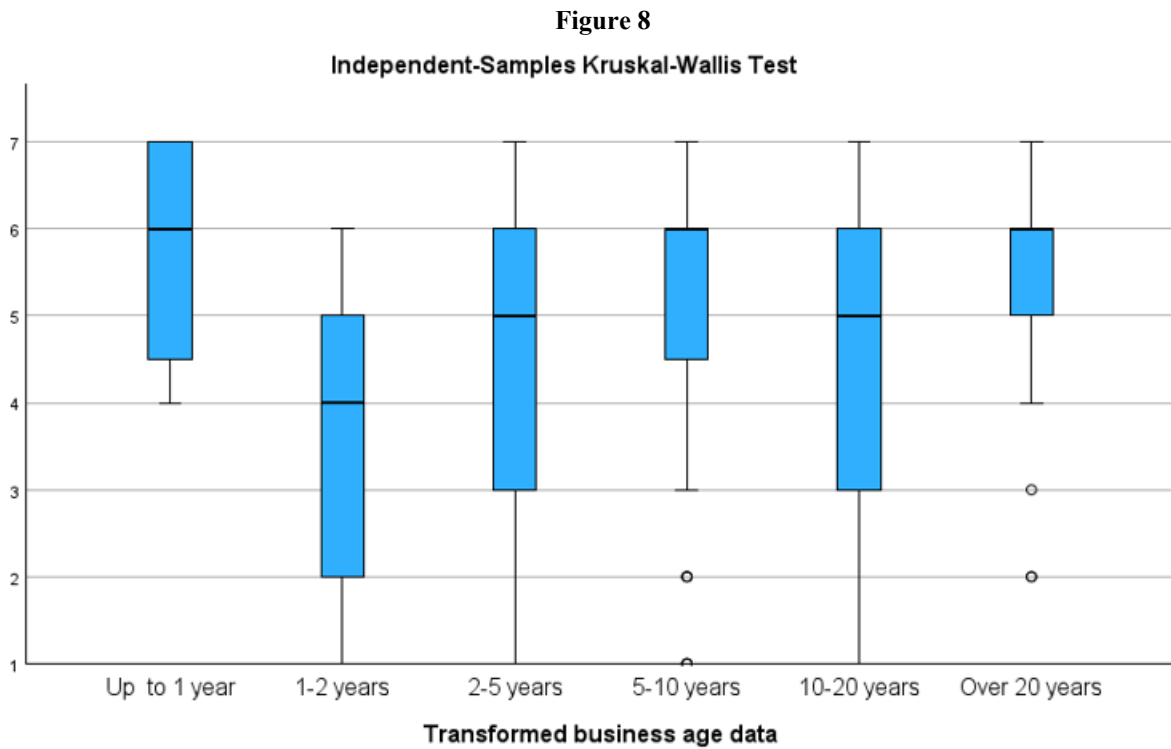
The statistically significant differences among the groups are:

- between “mining” and “services” (p=0.012)
- between “mining” and “finance, insurance, and real estate” (p=0.009)
- between “mining” and “construction” (p=0.003)
- between “mining” and “retail trade” (p=0.001)
- between “wholesale trade” and “retail trade” (p=0.025)
- between “transportation, communication, electric, gas, and sanitary service” and “retail trade” (p=0.045)
- between “services” and “retail trade” (p=0.014)

### Effects of Business Age

We also found four of the fifteen items from Appendix 1 are associated with business age.

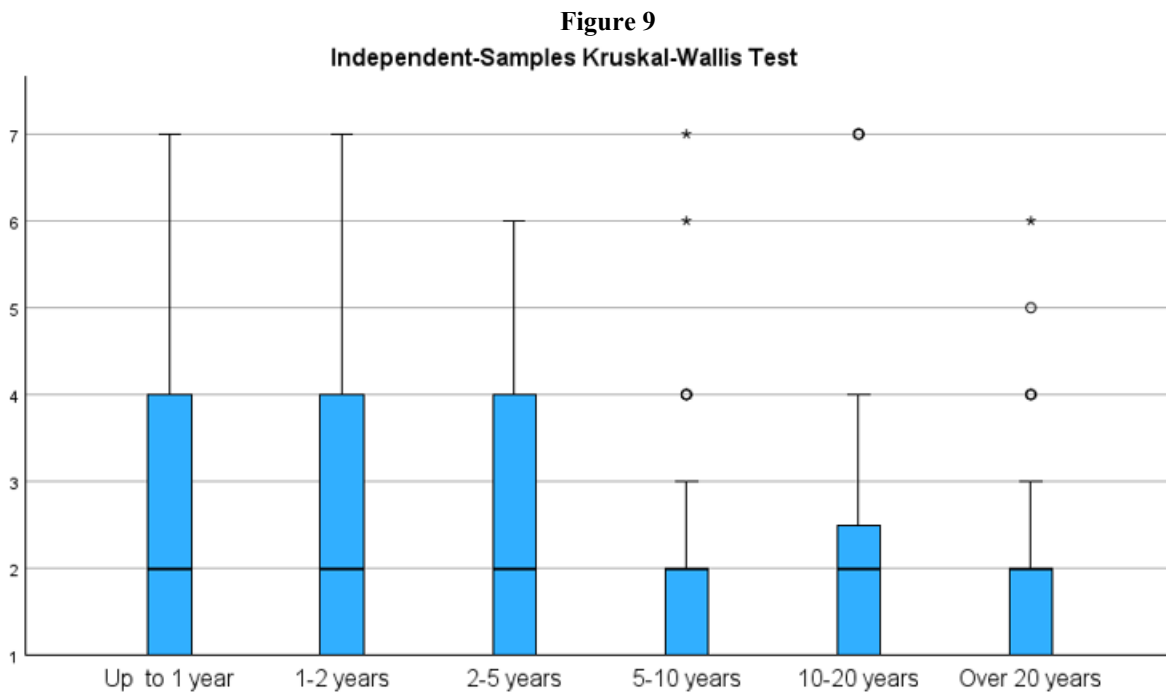
*I understand the features of my liability insurance policy well enough to evaluate the different options available through different carriers. (p=0.018)*



The statistically significant differences among the different age groups are:

- between “1-2 years” and “5-10 years” ( $p=0.019$ )
- between “1-2 years” and “over 20 years” ( $p=0.004$ )
- between “1-2 years” and “up to 1 year” ( $p=0.008$ )
- between “2-5 years” and “over 20 years” ( $p=0.027$ )
- between “2-5 years” and “up to 1 year” ( $p=0.054$ )

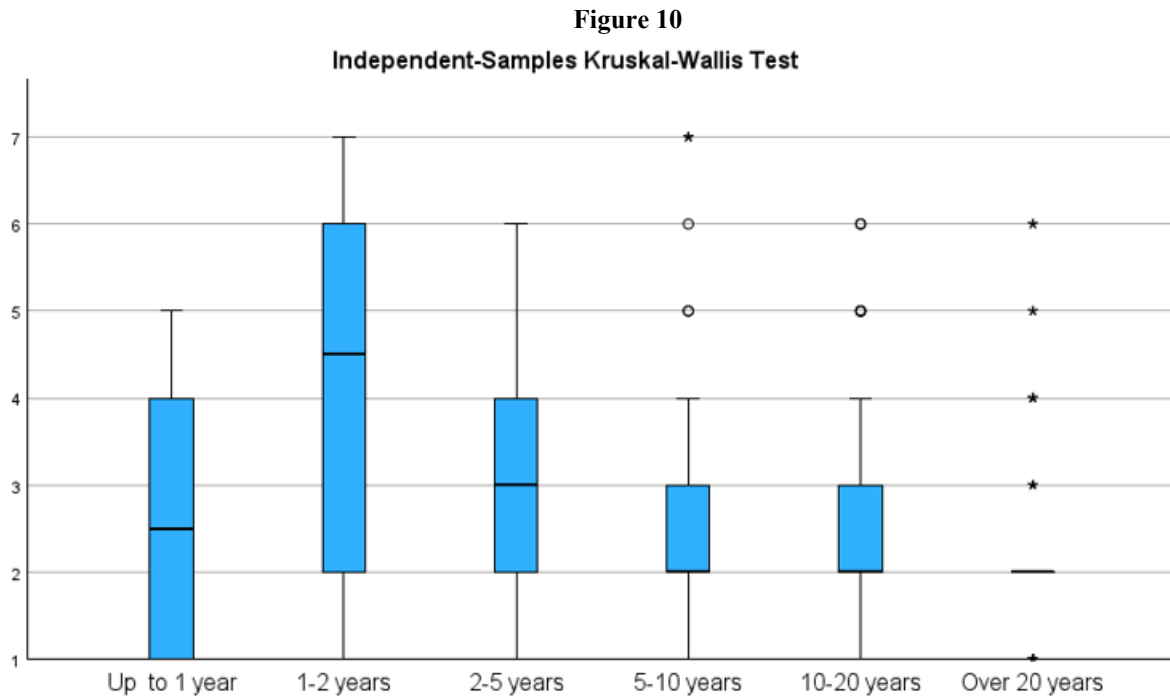
*Liability insurance is a product I have no need for whatsoever.* ( $p=0.044$ )



The statistically significant differences among the different business age groups are:

- between “2-5 years” and “over 20 years” (p=0.009)
- between “1-2 years” and “over 20 years” (p=0.052)
- between “2-5 years” and “5-10 years” (p=0.011)
- between “1-2 years” and “5-10 years” (p=0.058)

*I am not familiar with liability insurance.* (p=0.009)

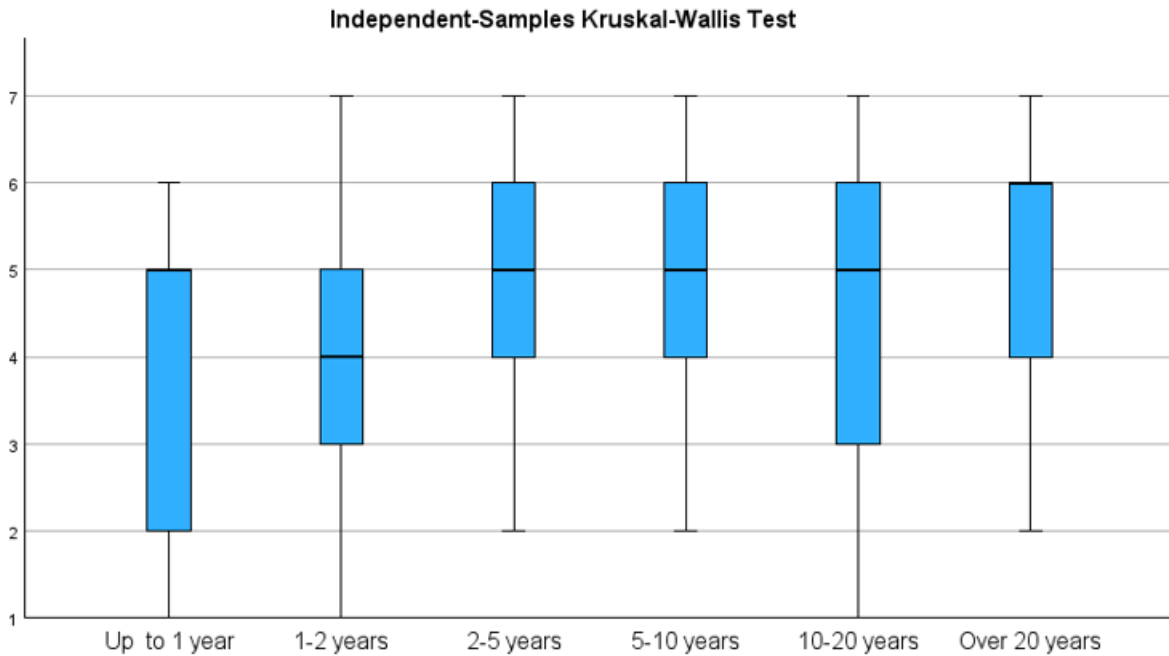


The statistically significant differences among the different business age groups are:

- between “2-5 years” and “5-10 years” ( $p=0.036$ )
- between “1-2 years” and “over 20 years” ( $p=0.001$ )
- between “1-2 years” and “10-20 years” ( $p=0.002$ )
- between “1-2 years” and “5-10 years” ( $p=0.002$ )
- between “1-2 years” and “up to 1 year” ( $p=0.050$ )

*When shopping for liability insurance, I am most concerned about price. ( $p=0.027$ )*

Figure 11



The statistically significant differences among the different business age groups are:

- between “1-2 years” and “over 20 years” ( $p=0.017$ )
- between “1-2 years” and “2-5 years” ( $p=0.053$ )
- between “1-2 years” and “5-10 years” ( $p=0.047$ )
- between “1-2 years” and “over 20 years” ( $p=0.009$ )
- between “10-20 years” and “over 20 years” ( $p=0.029$ )

### Effects of Owner’s Gender

Only two of the fifteen statements have results showing statistically significant differences between female and male business owners. For the statement “*I understand the features of my liability insurance policy well enough to evaluate the different options available through different carriers,*” the mean rating of the female group is 4.52, versus the male mean group of 5.06 ( $p=0.036$ ). For the statement “*I am not familiar with liability insurance,*” the mean rating of the female group is 3.18, versus the male mean group of 2.57 ( $p=0.009$ ).

### Effects of Owner's Education

There are only two owners with less than high school education. They are not included in this analysis. For the rest of the respondents, results of three of the fifteen items show statistically significant differences among the different educational attainment groups. The sample sizes, means, and standard deviations of the groups with different educational attainments are presented below.

*I understand the features of my liability insurance policy well enough to evaluate the different options available through different carriers (p=0.035).*

<b>Table 3</b>			
	n	mean	s.d.
High school diploma	55	4.58	1.753
Associate degree	20	4.41	1.873
Bachelor's degree	78	4.89	1.590
Graduate degree	45	5.48	1.452

Pairwise analysis shows that statistically significant differences exist between the high school diploma group and the graduate degree group (p=0.043).

*I am not familiar with liability insurance (p=0.003).*

<b>Table 4</b>			
	n	mean	s.d.
High school diploma	55	3.27	1.672
Associate degree	20	3.20	1.735
Bachelor's degree	78	2.56	1.383
Graduate degree	45	2.27	1.405

Pairwise analysis shows statistically significant differences between the high school diploma group and the bachelor's degree group (p=0.041) and between the high school diploma group and the graduate degree group (p=0.006).

*If evaluating insurance carriers that provide liability coverage, I would examine a very long list of features provided by the carrier before purchasing (p=0.015).*

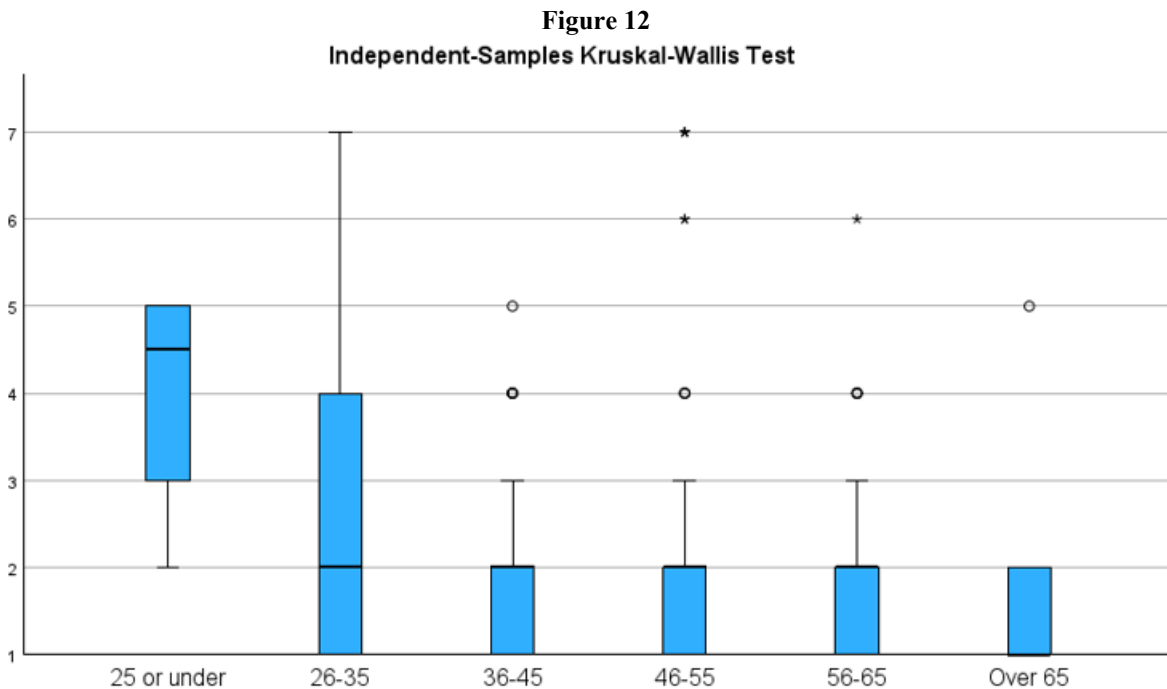
High school diploma	55	5.04	1.387
Associate degree	20	4.00	1.892
Bachelor's degree	78	4.91	1.505
Graduate degree	45	5.29	1.359

Pairwise analysis shows statistically significant differences between the high school diploma and the associate’s degree groups (p=0.040) and between the graduate degree and associate’s degree groups (p=0.008).

**Effects of Owner’s Age**

Two of the fifteen items have results showing statistically significant differences among the different age groups.

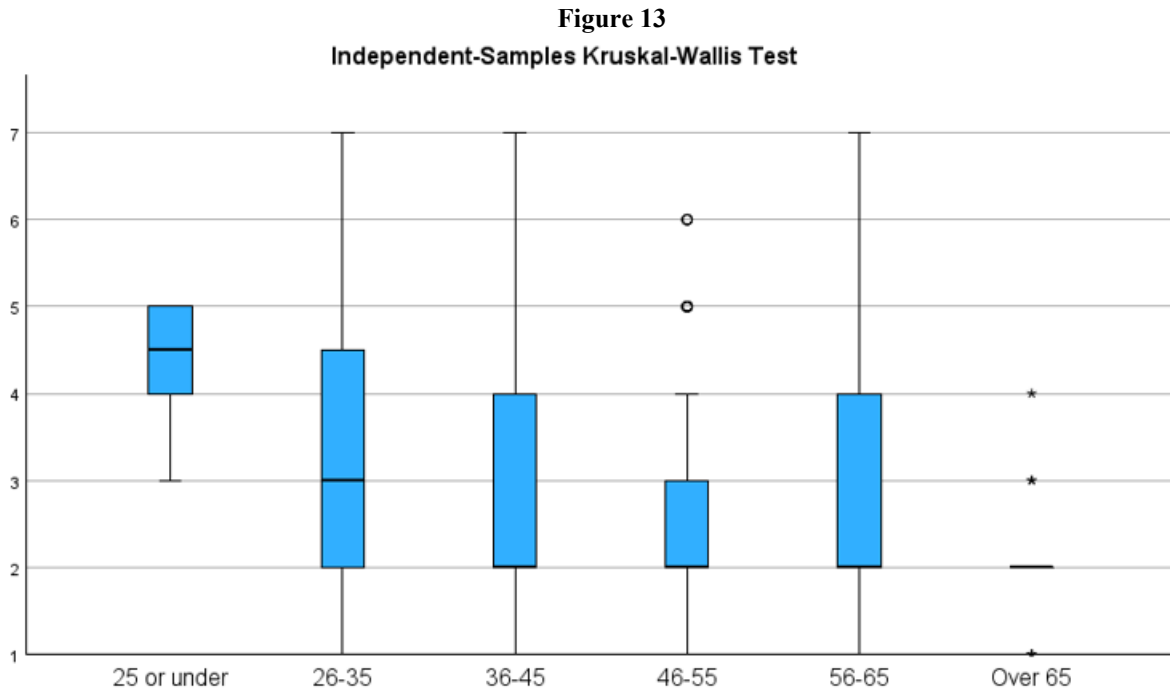
*Liability insurance is a product I have no need for whatsoever (p=0.008).*



The statistically significant differences among the different owner age groups are:

- between 26-35 and over 65 ( $p=0.014$ )
- between 26-35 and 25 or under ( $p=0.001$ )
- between 56-65 and 25 or under ( $p=0.003$ )
- between 46-55 and 25 or under ( $p=0.003$ )
- between 36-45 and 25 or under ( $p=0.005$ )
- between 26-35 and 25 or under ( $p=0.042$ )

*I am not familiar with liability insurance* ( $p=0.006$ ).



The statistically significant differences among the different owner age groups are:

- between over 65 and 26-35 ( $p=0.015$ )
- between over 65 and 25 or under ( $p=0.002$ )
- between 46-55 and 26-35 ( $p=0.010$ )
- between 46-55 and 25 or under ( $p=0.003$ )

- between 56-65 and 26-35 ( $p=0.045$ )
- between 56-65 and 25 or under ( $p=0.006$ )
- between 36-45 and 25 or under ( $p=0.009$ )

### **Effects of Percentage of Income from Business**

ANOVA test results show significant results for only one of the fifteen statements – *You care a great deal about who your liability insurance carrier is*. The means for each group of respondents are as follows: 4.51 for 25% or less income from the business, 4.97 for 25-49% of income from the business, 5.50 for 50-70% income from the business, 4.79 for 45-99% income from the business, and 4.34 for 100% income from the business. Significant difference is found between the 50-70% group (mean=5.50) and the 100% group (mean=4.34), with  $p=0.011$ .

### **Relationship with Number of Employees**

Correlation analysis was conducted between the fifteen attitude scales and the number of employees. For the statement “*I am not familiar with liability insurance,*” we found a small negative correlation of  $-0.148$  ( $p=0.037$ ). Since the coding for the statement is such that higher ratings represent lower levels of familiarity, the result here shows a positive correlation between levels of familiarity with liability insurance and the number of employees.

### **Effects of Owning, Renting, or Home-Based Business Locations**

ANOVA results show statistically significant differences in the means among the three groups for four of the fifteen statements.

*I understand the features of my liability insurance policy well enough to evaluate the different options available through different carriers.*

The mean values for the “Primarily own”, “Primarily rent”, and “Business is home based” groups are 5.05, 4.99, and 4.17, respectively. Pairwise analysis shows significant difference between the “primarily own” and “home-based” groups ( $p=0.036$ ).

*Liability insurance is a product I have no need for whatsoever.*

The mean values for the “Primarily own”, “Primarily rent”, and “Business is home based” groups are 2.01, 2.17, and 3.00, respectively. Significant differences were found between

the “primarily own” and “home-based” ( $p=.002$ ) and between the “primarily rent” and “home-based” groups ( $p=.015$ ).

*I am not familiar with liability insurance.*

The mean values for the “Primarily own”, “Primarily rent”, and “Business is home based” groups are 2.64, 2.61, and 3.39, respectively. Again, significant differences were found between the “primarily own” and “home-based” ( $p=.034$ ) and between the “primarily rent” and “home-based” groups ( $p=.031$ ).

*When shopping for liability insurance, I am most concerned about price.*

The mean values for the “Primarily own”, “Primarily rent”, and “Business is home based” groups are 5.02, 5.07, and 4.21, respectively. Like the findings earlier, significant differences were found between the “primarily own” and “home-based” ( $p=.045$ ) and between the “primarily rent” and “home-based” groups ( $p=.037$ ).

### **Effect of “Passing to Heirs”**

Only one of the statements shows a statistically significant difference between the business owners that plan to pass the business to heirs and those that do not. For the statement “*Liability insurance is a product I have no need for whatsoever*”, the mean for business owners planning to pass the business to heirs is 1.96, whereas the mean for those that do not have such plans is 2.35 ( $p=0.050$ ).

## **DISCUSSION**

Several insights can be obtained by examining our study results. The findings on the different attitudes toward insurance products and the process of purchasing insurance products between the various industry sectors indicate business owners do differ in how they perceive business insurance based on the nature of the industry in which they operate. Owners of mining and construction businesses pay more attention to features of liability insurance more than other business owners, perhaps due to the inherent complexities in those industries. However, these business owners also view insurance carriers as similar service providers, likely due to a lack of brand loyalty to insurance carriers. The small number of mining business owners show a great deal of willingness to devote extra effort into finding low liability insurance prices. Taken together, the results suggest that insurance providers should engage in proactive marketing activities to build brand awareness and brand loyalty in these business sectors. Furthermore, compared to the service and wholesales business owners, their retail trade counterparts are less willing to put in the effort to find lower liability insurance prices. As a result, reaching these

business owners requires efforts beyond pricing. Emphasizing service quality and enhancing insurance product features could be more effective.

The age of the business is associated with several aspects of the owner's perception of insurance products. A particular group of business owners, those owning their business for 1-2 years, indicate a lack of knowledge about the features of liability insurance policies and familiarity with liability insurance, compared with the other groups. This finding indicates that insurance management is a new challenge in starting a new business, and insurance providers could lend support to help these new business owners. However, it is surprising that those business owners with less than one year into running their businesses show a higher level of familiarity with understanding of the features of liability insurance than the other groups. It could be due to overconfidence of the newly minted business owners (Invernizzi et al., 2017), which would be detrimental to the future prospect of the business. This issue needs further investigation in future research.

The findings show that long-time business owners tend to have a higher level of perceived need for liability insurance than newer business owners, indicating that more experience with their businesses potentially lead to the realization that liability insurance is important to their businesses. Furthermore, those with a longer history of running their businesses tend to be price-sensitive when it comes to shopping for liability insurance policies. Therefore, insurance providers need to provide products that are perceived to have good value in the eyes of the business owner, and in the meantime, maintain strong service quality and product offerings.

Female and male business owners in our sample are different in terms of how knowledgeable they are about liability insurance. Males are more familiar with liability insurance policies and their features than females. Although the knowledge gaps between the two groups do not appear to be substantial, they do indicate that female business owners would be better served if they are better educated about risk management. Outreach to female business owners could be fruitful for insurance providers.

Different levels of educational attainment do seem to correlate with respondents' knowledge about liability insurance. Overall, our results indicate that the higher the respondents' educational attainment, the more knowledge they have about liability insurance and features of liability insurance. Findings here show that it is important to make sure all new business owners need to be educated in the risk management aspect of running their business, especially those without a college education. Another demographic factor influencing business owners' attitude toward insurance products is the age of the business owner. Our findings show that younger business owners tend to see less need for liability insurance compared with older ones. In the meantime, they also show less familiarity with liability insurance. Again, the results here point to the importance of educating business owners, especially the younger ones, about the importance of risk management to their business. It also shows the risk-propensity of younger business owners.

The carrier that provides their liability insurance seems to be especially important for one group of business owners—those that derive 50-70% of their income from their businesses. The “50-70% of income is derived from their business” category indicate caring more about what

their liability is than any other category and is statistically significantly different from the 100% of income that comes from their business category. This seems counterintuitive at first. While further research should be done to fully understand this finding, an explanation could be that businesses who do not heavily rely on their business for their household income do not care much about their liability insurance at all and business who rely 100% on their household income are willing to shop around for the best (or least expensive) coverage, but are not attached to a specific insurance carrier.

The level of business owners' familiarity with liability insurance is positively related to the number of employees. This is not unexpected, as larger numbers of employees represent higher levels of complexity for the business. As a result, businesses with larger numbers of employees would require the owners to be more familiar with liability insurance. However, the correlation is not strong. There still is, perhaps, a need for larger businesses to enhance their understanding of liability insurance to improve their risk management processes. Again, insurance providers could play a role here.

Not surprisingly, renting or owning a business' physical space or having a home-based business is directly related to some of the business owners' attitudes toward insurance offerings. Business owners that primarily own or rent their businesses' physical space have a better understanding of the features of liability insurance than home-based business owners, with those who own their space having the highest level of understanding those features. It should be noted that, since the attitude scale is a 7-point one, the highest mean for the statement "*I understand the features of my liability insurance policy well enough to evaluate the different options available through different carriers*"—for the group of business owners that own their physical business location—is only 5.05, which is only one point above the neutral point of 4, indicating that there is room for even this group to improve their knowledge of features of liability insurance.

While all three groups—"primarily own," "primarily rent", and "home-based"—seem to value liability insurance, we did find that the "home-based" business owners tend to feel less need for it. In addition, compared with the other two groups, this group of respondents shows less familiarity with liability insurance. It is possible that, with better education on liability insurance, these business owners may have a keener appreciation of the benefits of liability insurance. This is an issue that needs to be further explored in future research. Furthermore, these business owners are less concerned about price when shopping for liability insurance than the other two groups. It could be related to their relative lack of familiarity with insurance products, and, as a result, their uncertainty about the benefits and price tradeoff of these products. Again, it seems that, if they acquire more knowledge about liability insurance, they may be in a better position to make judgment about prices of different insurance options.

Whether the business owner intends to pass the business on to heirs seems to be a factor influencing the extent to which the respondents value liability insurance. Those who planned for future inheritance of their businesses felt more need for liability insurance than those who did not have such plans. This is logical since businesses that plan to provide an inheritance for their children or other heirs are more likely to care about protecting their assets and their business so that the business will still be in existence when their heirs are ready to take it over.

## CONCLUSIONS

As small businesses are critical to the U.S. economy, we need to have a better understanding of their risk management practice, which is critical to their success. We found small business owners' attitudes toward liability insurance are associated with several factors, including the industry sector, the age of the business, the percentage of the owner's income that is from the business, whether the business owns or rents the physical location of the business or is home based, the number of employees, and the business owner's age, gender, and level of educational attainment. Both small business owners and insurance providers could use the insights from this exploratory study to improve their operations. As this study is the first attempt to help us better understand small business owners' attitude toward liability insurance, we hope it will motivate future research in this area.

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<b>Appendix I</b> <b>Attitude Toward Liability Insurance and Shopping for Liability Insurance</b> All items are measured on a 1 (strongly disagree) to 7 (strongly agree) scale
I could talk about my liability insurance for a long time.
I understand the features of my liability insurance policy well enough to evaluate the different options available through different carriers.
Liability insurance is a product I have no need for whatsoever.
Liability insurance interests me.
I am not familiar with liability insurance.
If evaluating insurance carriers that provide liability coverage, I would examine a very long list of features provided by the carrier before purchasing.
Most of the insurance carriers that provide liability coverage are exactly alike.
It is very important to you to select the right insurance carrier for your liability insurance.
You care a great deal who your liability insurance carrier is.
When shopping for liability insurance, I am most concerned about price.
When shopping for liability insurance, I am most concerned about the policy coverage.
When shopping for liability insurance, the carrier's claims process is one of the most important considerations.
When shopping for liability insurance, the quality of service provided by my agent is one of the most important considerations.
I am not willing to go the extra effort to find lower liability insurance prices.
The money saved by finding lower liability insurance prices is not worth the time and effort.