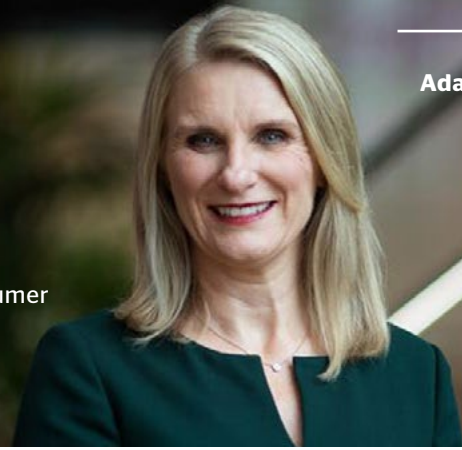




Adapt, protect and thrive

**How micro-SMEs navigate
risk and opportunity**



Julie Starley

Managing Director, Consumer
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Foreword

Micro small-and-medium-sized businesses (micro-SMEs) – with fewer than 10 employees – form the backbone of Australia’s economy. They embody resilience, diversity, and an unwavering drive to succeed in even the most challenging economic landscapes.

For many sole traders and micro-SMEs, the journey of entrepreneurship is defined by unique motivations and aspirations and the continued pursuit of opportunities that empower their businesses to thrive.

At QBE, we’re committed to supporting Australia’s micro-SME sector by understanding and addressing the challenges these business owners face. Whether it’s navigating cashflow, responding to market shifts or pursuing growth opportunities, micro-SMEs rely on more than just hard work to succeed. That’s why we’re dedicated to providing insurance solutions that meet their unique business needs. Our goal is to deliver confidence, so sole traders and small businesses can focus on what matters most to them.

This report offers valuable insights into micro-SME owners’ attitudes towards business insurance, underscoring their trust and its role in safeguarding their operations. The topline findings of the survey reveal the extent of that trust:



79% of micro-SMEs equivalent of up to 2 million businesses¹, believe business insurance provides peace of mind in their day-to-day operations.



81% feel completely or mostly protected thanks to their coverage.



83% express confidence in their current level of cover.

While underinsurance remains an issue for a proportion of micro-SMEs, these figures reflect the critical role that business insurance plays in empowering micro-SMEs to operate with assurance and stability.

As a trusted insurer for sole traders and micro-SMEs, QBE is dedicated to strengthening our support for this vital sector. By listening to business owners’ needs and fostering collaboration, we aim to create solutions that mitigate risks and unlock opportunities for growth and innovation.

1. For the purposes of this report micro-SMEs (businesses with up to 10 employees including self-employed) have been estimated as 2,473,495 based on ABS Counts of Australian Business, Table 13a, August 2024



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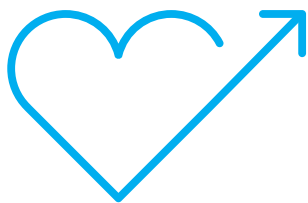
Methodology

The survey data used in this report has been conducted using an online survey administered by Pure Profile.

All figures, unless otherwise stated, are from Pure Profile. The total sample size was 1,010 sole traders and micro-SME owners (18 years+) with up to 10 employees.

Fieldwork was undertaken between 2 and 17 December 2024.

Resilient and ready - A snapshot of Aussie micro-SMEs' risk tolerance



42%

“Percentage of Australian micro-SMEs have experienced revenue growth over the past 3 years.”

Top 3 cost challenges



42%

Operational costs



31%

Customer acquisition



28%

Cash flow

Reasons for Insurance

48%

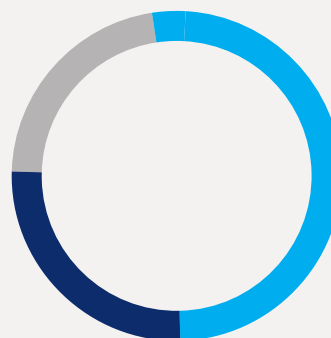
Required
by law

52%

Protect against
financial losses

65%

Peace of mind



Top 3 aspirations



50%

Increase profitability



43%

Increase client base



42%

Stabilise cash flow

How micro-SMEs are managing risk

40%

Streamlining expenses

38%

Building reserves

25%

Diversifying offerings



“Without business insurance, 29% of micro-SMEs could not afford a financial setback of more than \$10,000, while 24% could not afford any financial setback.”



Micro-SME risk personas

Australia's micro-SME sector is as unique and diverse as the people behind it. From seasoned professionals seeking flexibility to ambitious tradies looking for growth opportunities, these business owners bring varied motivations, skills, and goals.

By analysing and segmenting the survey data, clear patterns emerge around the risk appetite, motivations, and characteristics of Australian micro-SME owners. The following four personas, highlight Australia's dynamic and diverse SME and sole trader landscape, representing a thriving community of over two million people.

The examples provided in each persona category are based on key data indicators from the survey and are for illustrative purposes only.





91%

of Baby Boomers believe business insurance provides them with peace of mind.



82%

of Millennials have significant growth aspirations for their business over the next 3-5 years, including expanding products and services and increasing their customer base.



93%

of Australia's youngest business-owning generation (Gen Z) implement more risk management practices than any other generation.



1 in 4

(25%) of Millennial micro-SME owners believe losing their passion for their business is the greatest challenge facing them.

Lifestyle Seekers

An owner/operator who thrives on the flexibility and freedom of self-employment and embraces a work-life balance tailored to their personal goals. A lifestyle seeker could look like a Baby Boomer residing in New South Wales who has been running their enterprise for 6-9 years.

They will likely operate niche businesses such as boutique financial planning services, bespoke insurance advisory firms, or gourmet catering ventures. Motivated by the autonomy and satisfaction of creating their own path, they value the stability their business provides while enjoying the freedom and peace of mind to pursue their passions on their own terms.

Aspirational Entrepreneurs

A driven and growth-focused business owner who is determined to expand their enterprise and achieve long-term success. An aspirational entrepreneur could be a Millennial based in New South Wales who has been at the helm of their "growth-up" business for 1-5 years.

These owners are often found operating ventures such as trades (building, electrical and plumbing), specialty food and beverage distribution, industrial equipment supply, or niche retail, wholesale operations. With a keen eye on scaling their operations and building a strong market presence, they are motivated by the prospect of creating a thriving, influential business. Their focus on innovation and market expansion reflects their ambition to solidify their position in their existing market with a keen eye to pursuing business expansion in others.

Safety-Net Seekers

A cautious and risk-averse business owner who is driven by the need to build cash reserves, maintain savings, and minimise exposure to uncertainty. Surprisingly, this could look like a Gen Z operating in Victoria who has been running their business for 1-5 years. These entrepreneurs are commonly found in ventures like boutique digital marketing agencies, freelance content creation studios, bespoke web design firms, or small-scale tech support services. Prioritising financial security, they adopt conservative strategies to ensure their business remains stable while managing operational risks.

Passion-Driven Creators

An energetic and ambitious business owner, fuelled by a deep personal passion for their craft or cause. The data supports a passion-driven creator as a Millennial based in Western Australia, who are at the very beginning of their entrepreneurial journey, with less than a year in operation.

These individuals often run local and support-focused businesses such as community event coordination, nonprofit consulting, personal coaching, or bespoke administrative support services for the NDIS. Their work is not just a means to an end but a reflection of their personal values and aspirations, focusing on making an impact while building a meaningful and fulfilling career.



Attitudes towards insurance

Micro-SMEs in Australia have varied attitudes toward business insurance, influenced by their motivations, time in operation, and industry. For those with coverage, the benefits are clear—79% experience peace of mind, 81% feel protected, and 53% are more confident taking financial risks, which fosters innovation and growth without fear of setbacks.

Despite this, many micro-SMEs rely on alternative strategies like building savings (38%), managing expenses (40%), or diversifying offerings (25%) to manage risk. Notably, 24% of micro-SMEs couldn't handle any financial setback, while a further 28% could only manage unexpected out-of-pocket expenses of up to \$10,000. With disruptions like equipment damage or legal liabilities often exceeding these amounts, business insurance's role is vital.

How SMEs approach risk and insurance

Lifestyle Seekers: value the peace of mind that business insurance provides, enabling them to focus on balancing their personal and professional lives. With 62% of newer businesses feeling confident in their coverage, business insurance aligns with their goals of maintaining stability while enjoying their autonomy.

Aspirational Entrepreneurs: use business insurance as a tool to confidently pursue expansion strategies, such as hiring staff (35%) or investing in new equipment (42%). These entrepreneurs recognise business insurance as an enabler of growth, not just a safety net.

Safety-Net Seekers: are driven by financial security, view business insurance as a critical layer of protection. However, many still rely heavily on savings and expense management, leaving gaps in coverage. With 24% unable to afford any financial setback, the benefits of business insurance are tangible.

Passion-Driven Creators: are just starting their business journey and business insurance offers an opportunity to focus on their craft without constant financial worry. With 79% of micro-SMEs citing business insurance as essential for daily peace of mind, these businesses benefit from insurance products that foster long-term confidence.



The evolution of Aussie micro-SMEs

By updating their policies to reflect changes such as new equipment purchases, expanded service offerings, or additional staff, micro-SMEs are better equipped to navigate these complexities and safeguard their growth.

Amid an ever-changing economic landscape marked by rising inflation, fluctuating supply chains, and shifting consumer preferences, Australian micro-SMEs are increasingly prioritising adaptability. These challenges, coupled with uncertainties like extreme weather events and cyber security concerns, are driving business owners to align their insurance coverage with their evolving operational needs.



Adjusting coverage to support growth

Operational concerns remain top-of-mind, with 43% of micro-SME owners spending half or more of their time worrying about risks like rising costs, cash flow instability, and customer acquisition. Business insurance addresses these concerns by reducing uncertainty enabling businesses to refocus their efforts on growth and innovation.

Despite 42% of micro-SMEs reporting revenue growth in the past three years, 59% have not updated their insurance coverage since inception, leaving them vulnerable to gaps as their operations expand. Growth often brings new risks—larger projects, additional staff, or new assets—that current policies may not cover. This disconnect poses a material threat, highlighting the critical need for regular policy reviews to align with evolving business needs.

“

Reviewing insurance policies regularly is critical for micro-SMEs. As businesses grow and evolve, their risks change. Regular reviews ensure that customers can choose coverage that is right for them, enabling them to focus on growth.”

Julie Starley

Managing Director
Consumer

Addressing current and future risks

Micro-SMEs are not only addressing current risks but are also looking ahead with ambitious goals. Many business owners aim to expand their service offerings, streamline operations, and increase revenue—aspirations reflected in the survey, where 50% of micro-SMEs identified increasing profitability, 43% expanding their client base, and 42% stabilising cash flow as key objectives for the next 3-5 years.

“

As micro-SMEs work towards ambitious goals like expanding their service offerings or increasing revenue, there's a growing need for insurance solutions that can scale with their operations and provide robust, flexible coverage as their needs evolve.

Nearly one-third (29%) of micro-SMEs employ contractors, and for 31% of them, contractors account for more than half of their labour costs. This adds complexity to their risk profile, making it crucial to have insurance solutions that cover contractor liabilities, new equipment, and operational disruptions. These protections are key to fostering stability while supporting innovation and growth.”

Julie Starley

Managing Director
Consumer



Considerations for micro-SMEs

As a micro-SME owner, your insurance needs are as unique as your business. Whether you're motivated by flexibility, growth, financial security, or passion, understanding how to align your coverage with your goals is essential.

- Regularly assess your insurance to ensure it aligns with changes in your business, such as adding new services or assets. An example is public liability insurance, which can have limit caps up to \$20 million while some contracts require more.
- As your team grows or you invest in new equipment, your coverage should expand to safeguard these assets. For instance, portable item coverage protects business essentials like laptops or tools when used offsite, ensuring productivity continues even after unexpected mishaps.
- Ensure your insurance policy is flexible, allowing you to choose the right cover without paying for extras you are unlikely to use. Additionally, consider which extras may be relevant to you. For example, if you work from a shopfront or office, building and contents insurance covers physical damage to your premises and the equipment inside.
- Understand your coverage and use your insurance as a tool to confidently pursue opportunities, such as entering new markets or launching new products.
- Unexpected disruptions such as storms or fires can force you to close temporarily. Business interruption insurance covers loss of revenue and essential expenses during these periods, ensuring you can weather the storm and recover effectively.
- Explore all available policies as there are a wide variety of covers available as micro-SMEs can pick and choose what is right for them. There is also the added advantage of reducing excesses so that any financial impact at claims time can be minimised.
- As a new business owner, prioritise insurance that protects against early-stage risks, such as unexpected legal or operational disruptions.





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