



November 2022

Nationwide Agency Forward

Agents and Business Owners Outlook Research

METHODOLOGY



Audience

Independent Insurance Agents
*Mix of Principals, Producers,
and Customer Service
Representatives*



Sample Size

N=400



Margin of Error

±4.9%



Methodology

**15-minute
Online Survey**



Timing

**Survey fielded
October 24th –
November 4th**

Small Business Owners
*Owner of a company with 1-50
employees and less than
\$10M in revenue*

N=500

±4.4%

Mid-Market Business Owners
*Owner of a company with
either 51-500 employees or
\$10M-\$500M in revenue*

N=200

±6.9%

**Survey fielded from
October 7th – 27th**

Key Findings

1

Small and mid-market businesses are struggling with the impact of inflation, and they don't expect relief any time soon

More than half of small and mid-market businesses (58% and 54%, respectively) say they struggle with managing the impacts of inflation on their business. And roughly two in three small (68%) and mid-market (63%) business owners believe that inflation will have an even greater impact on their business in 2023 than it does today.

2

Business owners are reconsidering their insurance coverage to reduce expenses

Agents report changes in their commercial customers' behavior over the past 6 months. Nearly eight in ten (79%) report business owners attempting to renegotiating contracts to get better rates, two in three (61%) report customers reducing their coverage, and nearly half (44%) report an increase in cancellations of existing commercial policies.

3

Attracting and retaining engaged workers poses a challenge, particularly for mid-market businesses

Over half (58%) of mid-market business owners report they are currently facing a labor shortage and two thirds (60%) are concerned about their workers "quiet quitting". These labor market challenges are expected to continue into the new year; mid-market business owners expect to struggle with hiring new workers (39%), keeping workers engaged and productive (37%) and retaining current workers (42%) in 2023.

Key Findings

4

Economic turmoil is causing business owners to delay retirement

43% of principal agents, 42% of mid-market owners, and 27% of small business owners report they have pushed out their expected retirement date within the past two years. Recent economic turbulence and uncertainty plays a key role in these decisions, particularly for mid-market owners. They report rising inflation (78%), stock market performance (73%), impact of the pandemic (67%), and market conditions in their industry (67%) as factors contributing to their decisions to delay retirement.

5

Small business owners are much less likely to have succession plans set in place

Just 39% of small business owners report having succession plans in place, compared to 78% of mid-market owners and 55% of principal agents. This is likely because many small business owners plan to close their business completely (25%) when they retire or sell it to an undetermined third-party (23%). One in ten (12%) small business owners don't know how they will exit their business.

6

Despite current challenges, business outlook is positive for 2023

Today, most see business conditions in the US economy as off on the wrong track (75% small business owners, 69% independent agents, 51% mid-market business owners). However, there is considerably more optimism when it comes to their own businesses. More than seven in ten (67%, 72%, 82% respectively) see business conditions for their own business as heading in the right direction – and this optimism extends into the new year, with similar shares (72%, 80%, 85%, respectively) reporting the same when looking ahead to 2023.



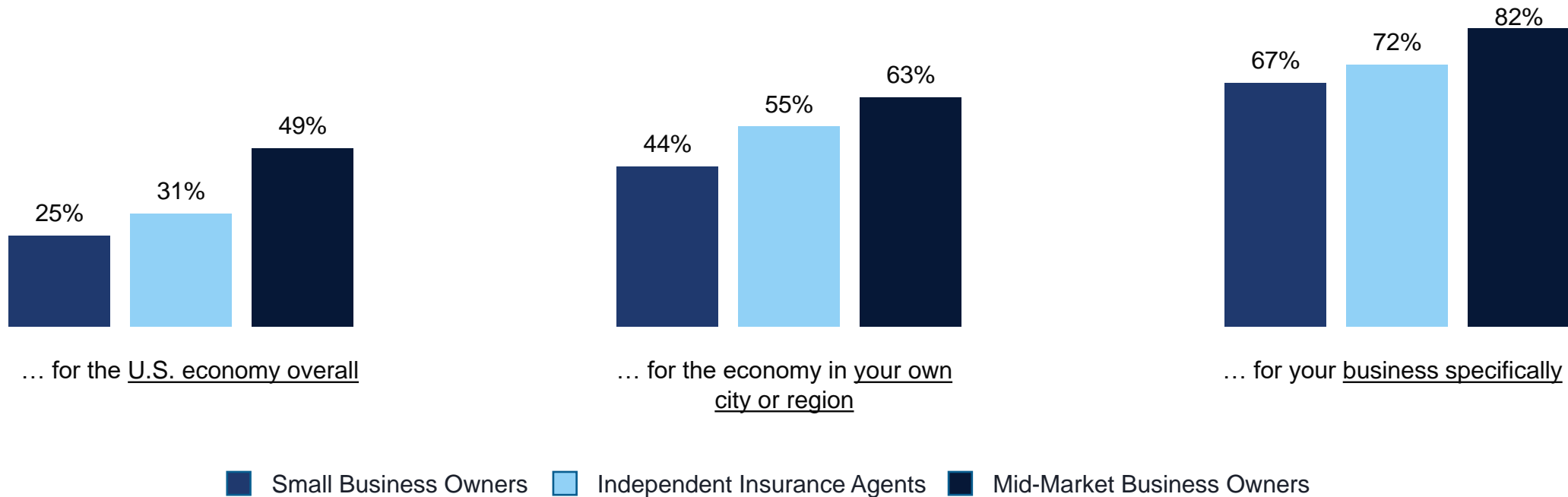
Business Outlook



BUSINESS OWNERS AND AGENTS REPORT CONDITIONS FOR THEIR OWN BUSINESSES REMAIN STRONG, THOUGH VIEWS OF THE US ECONOMY OVERALL ARE MORE NEGATIVE

Mid-market business owners are most confident that current business conditions are heading in the right direction.

View of Current Business Conditions
(Shown % Selected 'Heading in the right direction')



INFLATION IS THE TOP REPORTED BUSINESS STRUGGLE FOR AGENTS AND BUSINESS OWNERS, AND MOST SEE ITS IMPACTS CONTINUING INTO 2023

Secondary issues include attracting new customers, hiring new workers, and keeping workforces engaged.

Current and Expected (2023) Struggles
(Shown % Selected Top 2 Box 'Somewhat/A lot' on a 4-point scale)

Mid-Market Business Owners			Small Business Owners			Independent Insurance Agents		
	2022	2023		2022	2023		2022	2023
Managing the impacts of inflation	54%	54%	Managing the impacts of inflation	58%	56%	Managing the impacts of inflation	61%	51%
Hiring new workers	46%	39%	Attracting new customers	38%	37%	Attracting new customers	55%	48%
Attracting new customers	45%	38%	Retaining current customers	26%	26%	Keeping workers engaged and productive	48%	44%
Managing the impacts of public health emergencies	44%	39%	Hiring new workers	25%	19%	Hiring new workers	46%	42%
Keeping workers engaged and productive	41%	37%	Managing the impacts of public health emergencies	24%	21%	Preventing worker "burnout" or managing workers' mental health needs	45%	36%
Retaining current workers	40%	42%	Keeping workers engaged and productive	22%	23%	Retaining current customers	44%	45%
Preventing worker "burnout" or managing workers' mental health needs	38%	41%	Preventing worker "burnout" or managing workers' mental health needs	19%	19%	Retaining current workers	44%	42%
Managing remote or hybrid workers	38%	32%	Retaining current workers	18%	18%	Managing remote or hybrid workers	43%	40%
Retaining current customers	35%	38%	Managing remote or hybrid workers	13%	11%	Managing the impacts of public health emergencies	42%	38%

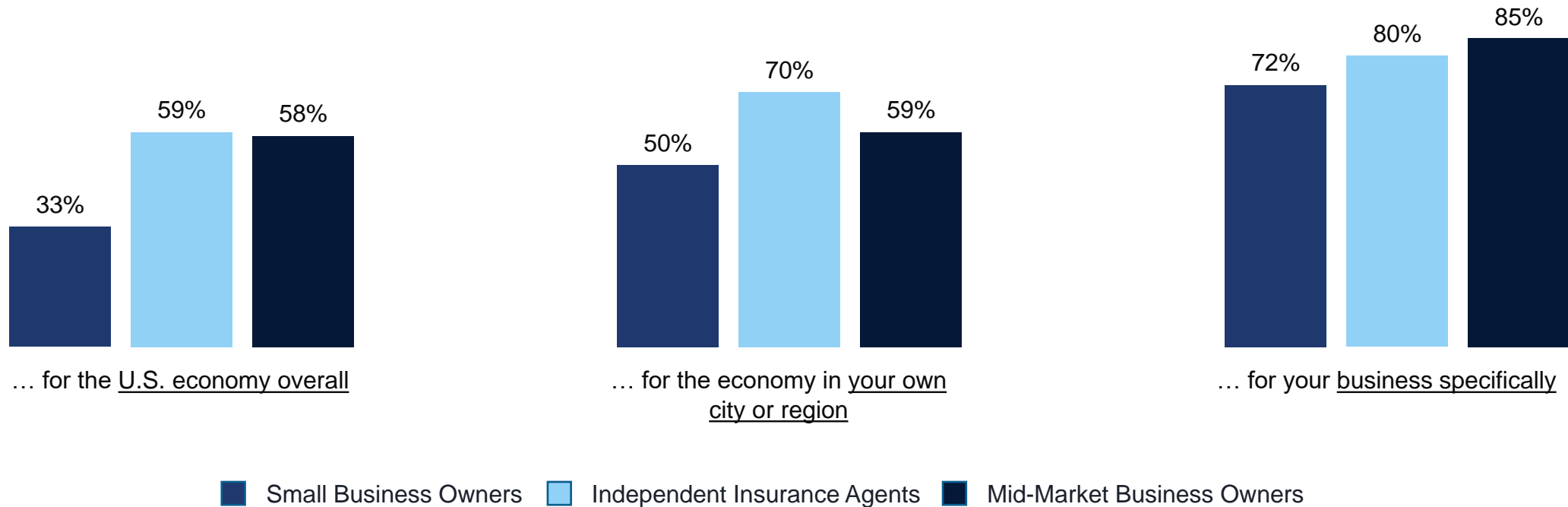


Red shaded displays significant decrease

LOOKING TO 2023, THE OUTLOOK FOR BUSINESS CONDITIONS IS MORE POSITIVE

Thinking ahead to 2023, small business owners are still pessimistic about the overall economy.

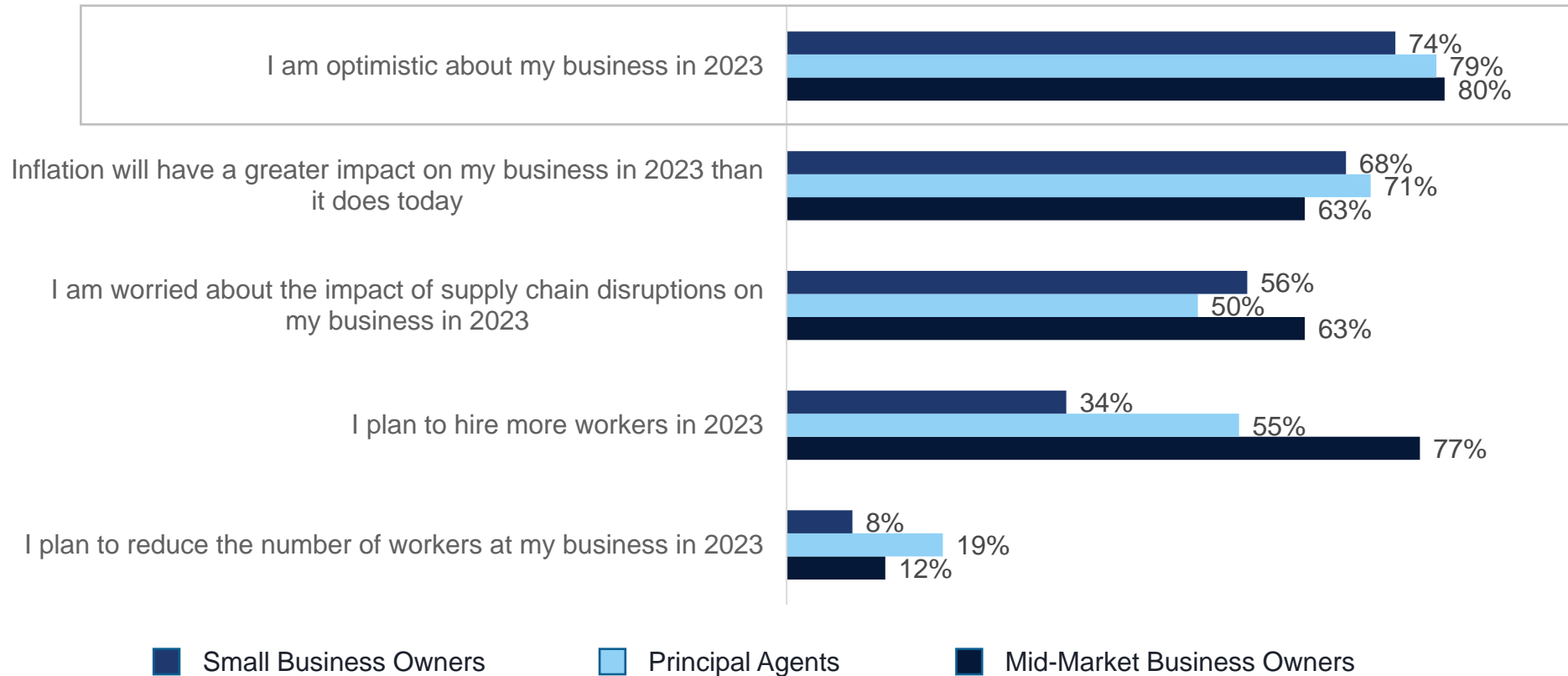
2023 Expected Business Conditions (Shown % Selected 'Heading in the right direction')



MOST BUSINESS OWNERS ARE OPTIMISTIC ABOUT THE NEXT YEAR FOR THEIR BUSINESS

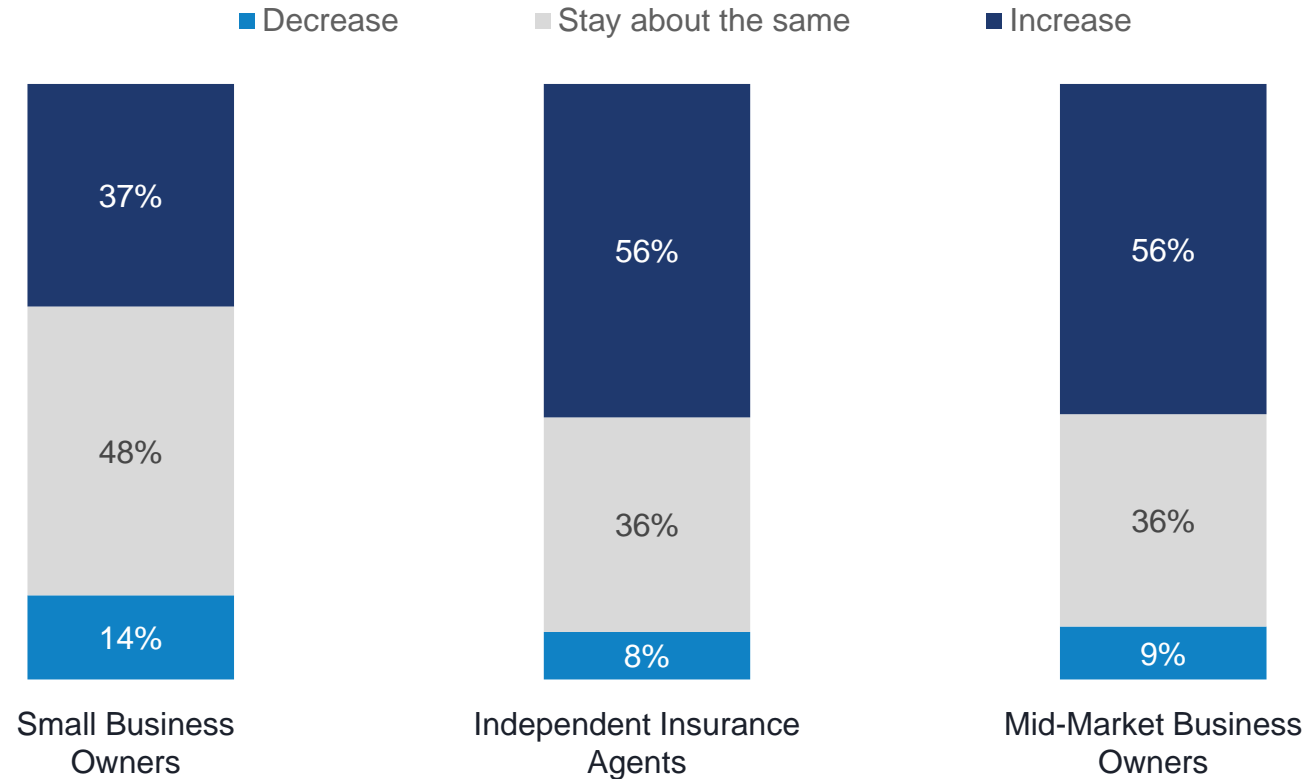
2023 Business Expectations

(Shown % Selected Top 2 Box 'Somewhat / Strongly Agree' on a 4-point scale)



OVER HALF OF AGENTS AND MID-MARKET BUSINESS OWNERS EXPECT THEIR REVENUE TO INCREASE IN 2023, WHILE SMALL BUSINESS OWNERS ARE LESS OPTIMISTIC ABOUT THE COMING YEAR

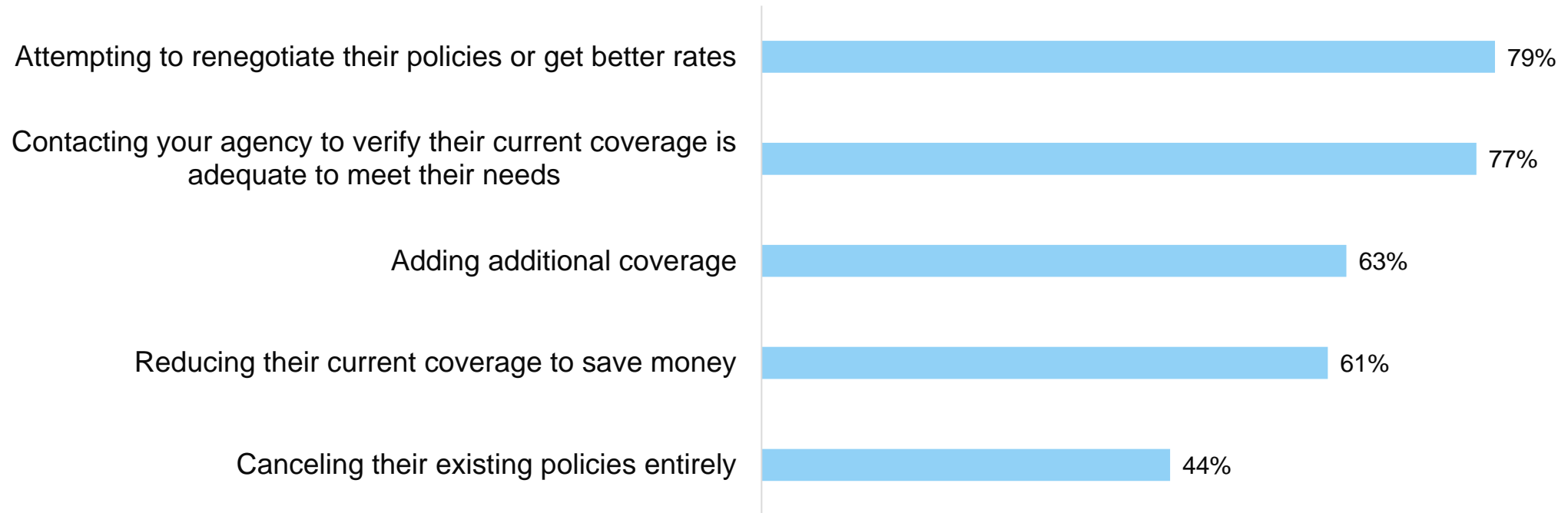
Expected Change in Business Revenue: 2023
(Shown % Selected)



AGENTS REPORT AN UPTICK OVER THE PAST SIX MONTHS IN COMMERCIAL CLIENTS ATTEMPTING TO RENEGOTIATE POLICIES OR REDUCE THEIR COVERAGE TO SAVE MONEY

Reported Increase in Commercial Insurance Policy Modifications – Past 6 Months

(Shown % Selected 'Yes, I have' – Asked of Agents only)



SMALL BUSINESS OWNERS RATE RISK MANAGEMENT AS A HIGHER PRIORITY POST-EXPOSURE TO INFORMATION ABOUT ITS IMPORTANCE

Business Expense Prioritization

(Shown % Ranked Expense in Top 3 Most Likely to Prioritize)

EXPOSED MESSAGE:

Inflation has dramatically increased costs of materials and labor needed for repairs if you encounter a catastrophic incident, like a fire or other significant property damage. Reducing your business insurance coverage could mean spending considerably more than normal out of your own pocket to get your business back up and running.

Small Business Owners				
	Prioritization: Pre-exposure		Prioritization: Post-exposure	
1	Payroll or worker hours	76%	Payroll or worker hours	80%
2	Utilities	72%	Utilities	74%
3	Business insurance coverage	69%	Business insurance coverage	69%
4	Employee benefits	62%	Employee benefits	67%
5	Building or equipment maintenance	54%	IT or tech support	51%
6	Marketing or social media expenses	53%	Risk management	51%
7	Insurance against cyberattacks or cybercrime	53%	Marketing or social media expenses	50%
8	Office equipment	52%	Building or equipment maintenance	48%
9	Legal or professional services	48%	Insurance against cyberattacks or cybercrime	46%
10	IT or tech support	45%	Legal or professional services	44%
11	Risk management	44%	Office equipment	41%



MID MARKET BUSINESS OWNERS RATE BUSINESS INSURANCE COVERAGE AS A HIGHER PRIORITY AFTER HEARING INFORMATION ABOUT ITS IMPORTANCE

Business Expense Prioritization

(Shown % Ranked Expense in Top 3 Most Likely to Prioritize)

EXPOSED MESSAGE:

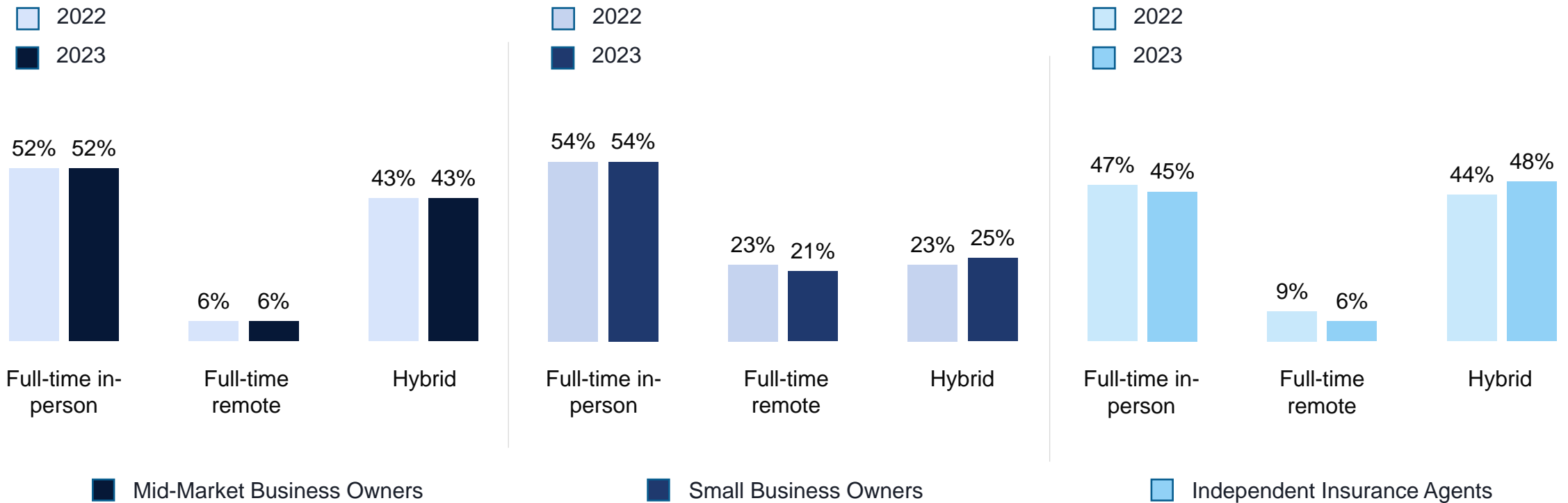
Inflation has dramatically increased costs of materials and labor needed for repairs if you encounter a catastrophic incident, like a fire or other significant property damage. Reducing your business insurance coverage could mean spending considerably more than normal out of your own pocket to get your business back up and running.

Mid-Market Business Owners				
	Prioritization: Pre-exposure		Prioritization: Post-exposure	
1	Employee benefits	73%	Payroll or worker hours	74%
2	Utilities	70%	Employee benefits	65%
3	Payroll or worker hours	67%	Building or equipment maintenance	62%
4	Building or equipment maintenance	62%	Business insurance coverage	62%
5	Marketing or social media expenses	61%	Utilities	60%
6	IT or tech support	56%	Office equipment	59%
7	Business insurance coverage	56%	Marketing or social media expenses	57%
8	Office equipment	56%	Insurance against cyberattacks or cybercrime	56%
9	Legal or professional services	50%	IT or tech support	56%
10	Insurance against cyberattacks or cybercrime	49%	Risk management	51%
11	Risk management	46%	Legal or professional services	45%



OVER HALF OF SMALL AND MEDIUM BUSINESS OWNERS REPORT THEIR FIRMS ARE CURRENTLY OPERATING FULL TIME IN-PERSON, WITH LITTLE CHANGE EXPECTED IN 2023

Current and Expected 2023 Work Setting
(Shown % Selected)



MID-MARKET BUSINESS OWNERS ARE STRUGGLING WITH A WORKER SHORTAGE

Currently Facing a Worker Shortage
(Shown % Selected 'Yes')

19%
Small Business Owners

35%
Independent Insurance Agents

58%
Mid-Market Business Owners



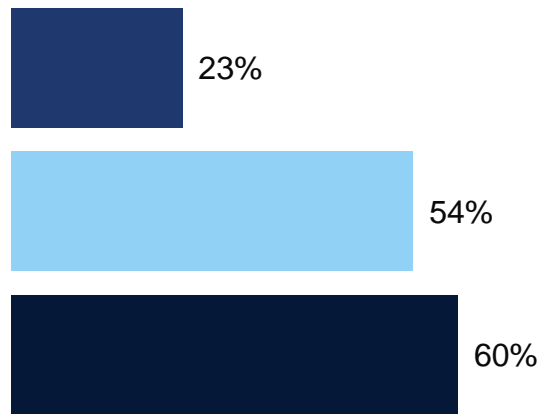
■ Small Business Owners ■ Independent Insurance Agents ■ Mid-Market Business Owners



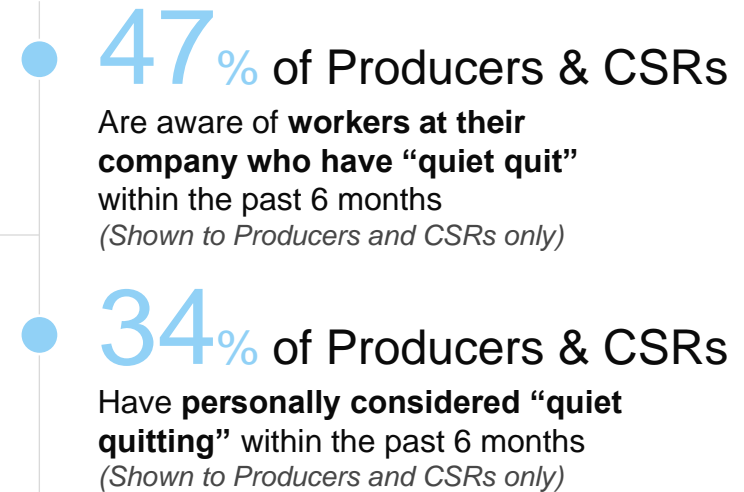
QUIET QUITTING IS A SERIOUS CONCERN FOR MID MARKET BUSINESS OWNERS AND PRINCIPAL AGENTS

More than a third of agency Producers and CSRs have considered quiet quitting within the past six months.

Concerned With “Quiet Quitting”
 (Shown % Selected Top 2 Box ‘Very / Somewhat Concerned’ on a 4-point scale)



Quiet Quitting in Agencies
 (Shown % Selected ‘Yes’)



■ Small Business Owners ■ Independent Insurance Agents ■ Mid-Market Business Owners

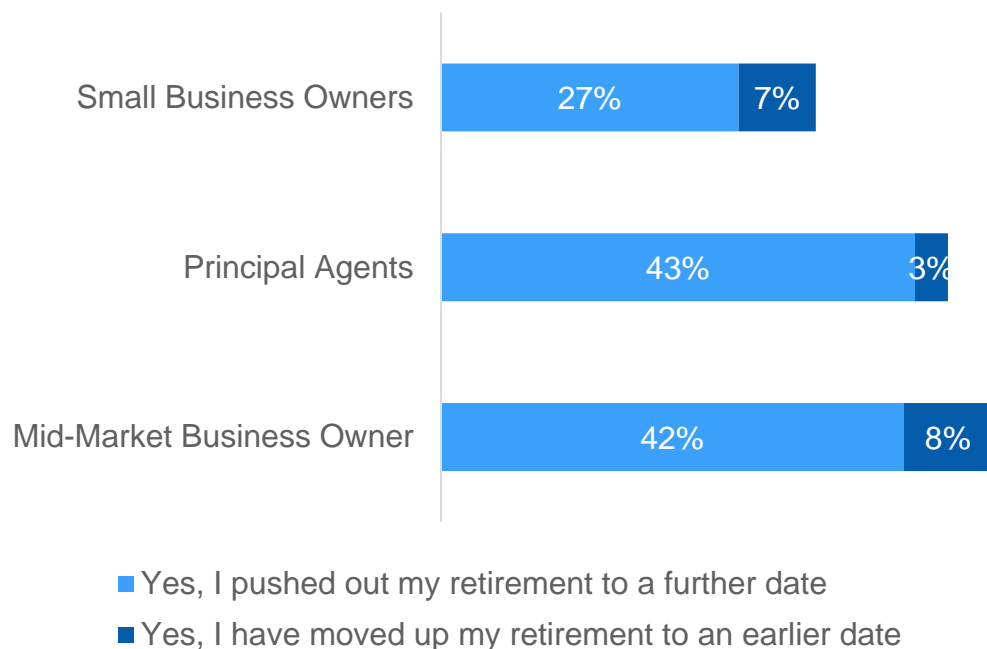


MORE THAN 4 IN 10 MID MARKET BUSINESS OWNERS HAVE PUSHED THEIR RETIREMENT TO A LATER DATE

Inflation, stock market performance, the ongoing pandemic, and general industry conditions all factor into the decision to postpone retirement.

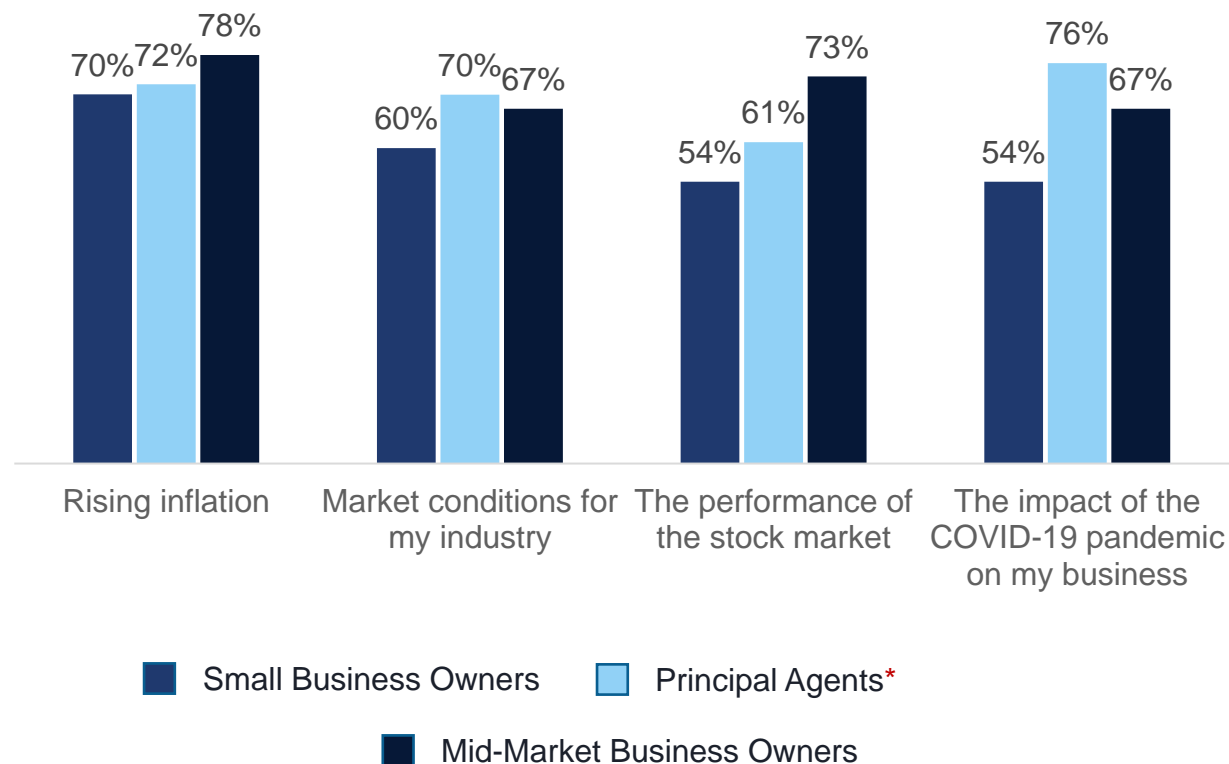
Adjusted Retirement Date in the Past Two Years

(Shown % Selected 'Yes, I pushed out my retirement to a further date / Yes, I have moved up my retirement to an earlier date')



Influences on Decision to Change Retirement Date

(Shown % Selected 'Yes, it influenced my decision')



Q19. Within the past two years, have you adjusted your anticipated retirement date? Base: Those planning to retire – Small Business Owners (n=473), Mid-Market Business Owner (n=196), Independent Insurance Agents, Principals (n=100). Q20. Did any of the following business conditions influence your decision to adjust your anticipated retirement date? Base: 17 Those who have adjusted their retirement date – Small Business Owners (n=157), Mid-Market Business Owner (n=98), Independent Insurance Agents, Principals (n=46*).

**Small sample size. Directional findings only.*

MORE THAN 1 IN 10 SMALL BUSINESS OWNERS HAVE NO PLANS TO RETIRE

