Risk Management on Main Street

A Survey of Small Business Owners’ Perceptions of Risk

For Small Business Owners
Introduction

More than 500 small business owners attended America’s Small Business Summit, held from May 17-19, 2010 in Washington, D.C. Travelers, a corporate sponsor of this annual event hosted by the U.S. Chamber of Commerce, conducted a survey of conference attendees to:

1. Understand to what extent risk management is top of mind among small business owners.
2. Gauge how confident small business owners are in their ability to protect their business against insurable risks.

Executive Summary

- Risk management ranks relatively low among priorities facing small business owners. The survey found that small business owners prioritize activities related to growing their business over those related to protecting their business against insurable risk.
- Despite Red Cross data that indicates 40 percent of small businesses never reopen again after a disaster, almost half are operating without a Business Continuity Plan, the first step in ensuring viability after a catastrophe.
- Despite the lack of disaster recovery planning and the relatively low emphasis placed on risk management, business owners – risk-takers by nature – are very confident that their business is adequately protected against risks.
- Relatively few small business owners first turn to their insurance agent for guidance and advice on identifying and managing risk, instead turning to their attorney, their peers or themselves.
Small Business Risk & Disaster Management

About the Survey:
The survey was conducted in-person at the U.S. Chamber of Commerce America’s Small Business Summit on May 17 and May 18, 2010. A total of 101 small business owners were polled.

1) Which of the following do you most rely on for guidance and advice on identifying and managing the various risks facing your business?

- Attorney: 23%
- Accountant: 28%
- Insurance agent: 6%
- Peers: 10%
- Media (e.g.: online resources, business and trade journals): 8%
- Myself: 25%

2) How confident are you that your business is protected against insurable risks that can result in significant financial losses or even cause you to go out of business altogether?

- Extremely confident: 41%
- Somewhat confident: 53%
- Not at all confident: 6%

3) Do you currently have a written Business Continuity Plan or some other disaster recovery document for your business?

- Yes: 56%
- No: 44%
4) Have you ever spoken with your insurance agent about developing a business continuity plan?

- Yes: 36%
- No: 64%

5) How much of your time is focused on activities associated with identifying and preventing business/operational risk?

- Less than 10 percent: 56%
- 10-30 percent: 33%
- 30-50 percent: 7%
- More than 50 percent: 4%

6) Given the numerous priorities you face as a business owner, do you feel you are able to make the time necessary to effectively identify/manage operational risks?

- Yes: 61%
- No: 39%

7) Rank in order of importance, with 1 being least important and 7 being most important, your priorities when it comes to running your business:

- Marketing & sales: 4.58
- Managing cash flow: 4.14
- Attracting financing to run & grow your business: 4.12
- Attracting & retaining employees: 4.08
- Identifying & managing insurable risks: 3.88
- Compliance with federal & state regulations: 3.85
- Protecting business from lawsuit/litigation: 3.61

*Data is expressed as an average score for each response.*
Know Your Risks ...

- But more than that – consult with multiple sources of information about those risks; insurance agents generally have access to helpful risk management resources and are knowledgeable about products and solutions designed to mitigate risk; in addition to consulting with your attorney, accountant and your peers, include your insurance agent in your risk management planning process.

- Anticipate and plan – no one can predict every possible disaster scenario, but creating a Business Continuity Plan can help you ensure that your business does not fail as a result of a disaster or catastrophic event.
About Travelers

The Travelers Companies, Inc. is a leading property casualty insurer selling primarily through independent agents and brokers. The company’s diverse business lines offer its global customers a wide range of coverage in the auto, home and business settings. A component of the Dow Jones Industrial Average, Travelers has more than 30,000 employees and generated revenues of approximately $25 billion in 2009. For more information, visit www.travelers.com.

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Risk Control Services

Travelers Risk Control provides a variety of services and resources to help businesses identify and manage their unique risks. With diverse backgrounds and areas of specialization, the Risk Control staff is able to provide customers with consultative and cost-effective risk management solutions. Risk Control’s Customer Portal at travelers.com/riskcontrol also is a valuable resource. By registering, customers gain exclusive access to more than 1,500 products, including TravSources™, a collection of safety and risk management resources packaged by industry or topic; Travelers Virtual Risk Manager™, an online self-assessment tool offering customized action plans; and educational opportunities, such as classroom training, Webinars, and computer-based training – many provided at no cost to the customer.

About Travelers

Select Accounts

Travelers Select Accounts is a leading provider of property and casualty insurance products to small businesses. Serving businesses with generally fewer than 50 employees, Travelers Select Accounts offers guaranteed cost insurance policies, including commercial auto, workers compensation, umbrella, and packaged products covering property and liability exposures. Each small business risk is independently evaluated through an automated underwriting platform, which in turn enables agents to quote, bind and issue a substantial amount of small business risks at their desktop. Risks with more complex characteristics are underwritten with the assistance of an Account Executive. Travelers Select Accounts also offers its independent agents options to connect aspects of sales and service, including agency automation capabilities and service centers that function as an extension of an agency’s customer service operations.