



# Travelers Business Risk Index

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FINDINGS FROM A SURVEY OF U.S. BUSINESS RISK DECISION MAKERS

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May 2014



# Contents

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Executive summary	2
Facing a riskier world	4
Risk perception varies with size, location and industry type	5
The seven greatest risk concerns	6
Concerns about increasing risks	7
Worry about risk	8
Consensus on specific risks	9
Additional worries	11
Weather worries	12
Risk concerns within regional borders	13
Risk concerns along industry lines	14
Recognizing, managing and mitigating risk	22
Where businesses turn for risk prevention	28
Risk management and business success	29
Risk management expertise	32



## Executive summary

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In business, there is no avoiding risk. Every business owner and executive must grapple with risk, and effectively manage it to achieve success. American businesses, in all categories, feel that the world is getting riskier and that the risks they face are amplified, increasingly complex and more difficult to manage.

A number of forces, some natural, some created by the demands of business, have emerged to complicate efforts to recognize, assess and manage these risks.

Many of these risks are familiar – an extended period of economic uncertainty, catastrophic weather, cyber threats, healthcare inflation, governmental regulation – and none are completely new.

As one of the world's leading business insurers, Travelers has built its business on measuring and assessing risk, and helping to mitigate the losses that could arise from those risks.

In February 2014, Travelers commissioned Hart Research Associates to survey more than 1,100 business owners and executives from small, mid-sized and large businesses to better understand their perceptions of the risks that pose the biggest threats to their business. Executives and business owners were also asked about the methods they have employed to address risk, and the actions they have taken to mitigate the effect of these risks.

The Travelers Business Risk Index allows owners and executives to better understand how businesses in similar industry segments have identified and managed risk.



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## The key findings of the survey include:

**Businesses strive to mitigate loss.** While most businesses have taken some steps to stem loss from recognized risks, only 55% of businesses surveyed have created a formal continuity or disaster recovery plan, and only 45% have consulted with risk control specialists.

**Businesses feel least prepared to manage the risks they identify as most serious.** In almost direct opposition to the highest-rated risks, businesses see medical cost inflation, increasing benefit costs and legal compliance as the risks they are least prepared to address and mitigate.

**Businesses believe the world is becoming riskier.** Across all industries, 48% of businesses believe the business environment is getting more risky with just 14% indicating that there is less risk. In large businesses, 54% of executives see a riskier environment.

**Medical cost and employee benefit cost inflation are the most serious concern.** Most businesses identify rising healthcare costs as the single most significant cause for worry. While 67% of businesses identify medical costs as a worry, 62% of businesses feel that employee benefit cost inflation is a closely related concern.

**Perception of serious risk is often aligned with particular industries.** For construction executives, concern about the risk of employee injury is high, with 39% citing it as a major worry. In the same way, professional errors and omissions is a concern for professional services, healthcare professionals and in financial services.

**Businesses who manage risk report higher performance.** While this survey result has not been supported by independent research to demonstrate causation, businesses that manage risk well claim a performance advantage over industry competitors. In businesses where risk is treated as a strategic priority, 54% report higher financial performance.

**Only 55% of businesses surveyed have created a formal continuity or disaster recovery plan.**

# Facing a riskier world

Risk is an inherent part of business. Managing risk plays a crucial role in every business decision.

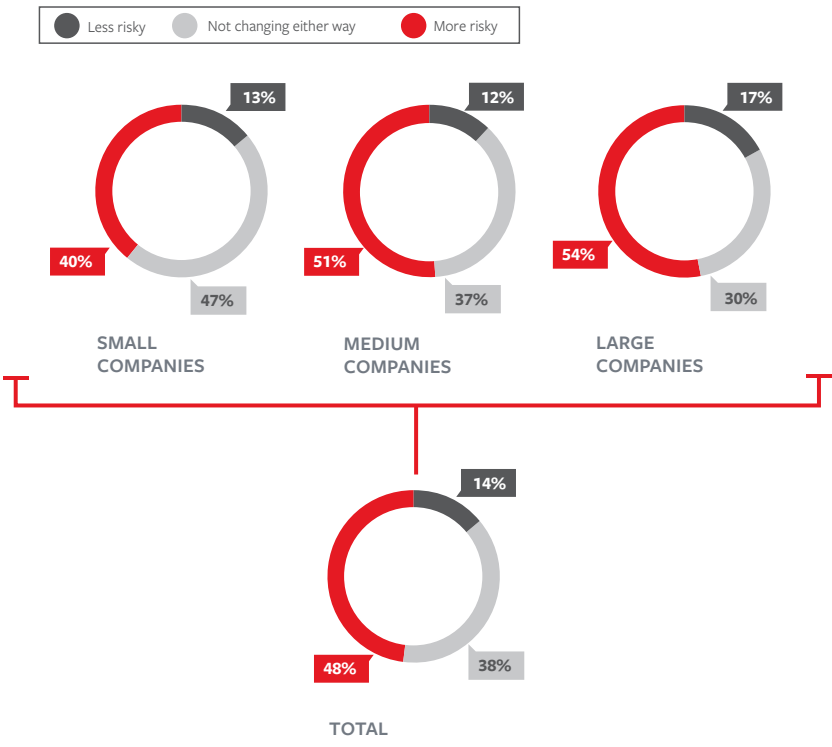
Surveyed business owners and executives report an uneasy sense that the world is growing riskier, and that the risks are more complex and more difficult to manage. For large businesses with more than 1,000 employees and mid-sized businesses with between 50 and 1,000 employees, executives report a sense of increased risk in the marketplace. Smaller businesses were less likely to report a sense of increased risk, though 40% expressed worry over the business environment.

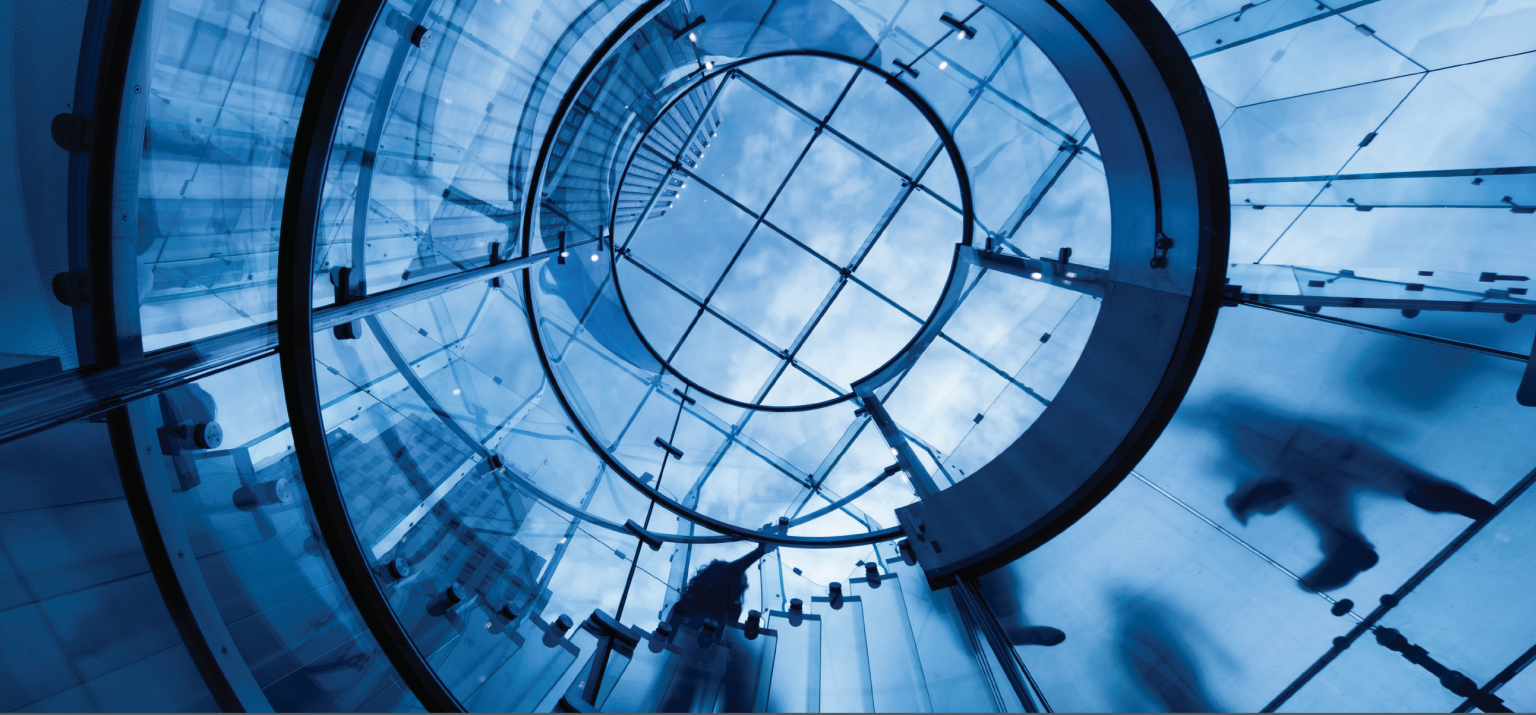
Only 14% of businesses overall reported a less risky market, and only a third of businesses report a stable business environment.

## BUSINESSES BELIEVE THE WORLD IS GROWING RISKIER

This is especially true among large and mid-sized companies.

Thinking about the overall level of risk your business faces – including risks to your employees’ and your customers’ safety, your business’s property and financial well-being, and to your business overall – and thinking about how this level of risk is changing. Do you believe the business environment is becoming . . .





## Risk perception varies with size, location and industry type

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The larger the business, the more likely it is to be concerned about a risky business environment. When asked to place risk on a zero-to-ten scale, (0=no risk; 10=extreme risk), larger businesses perceived greater risk. In larger companies, the average risk rating was 5.8. Mid-sized businesses placed risk at 5.3, and smaller businesses rated it 4.4.

Regional and industry sector differences in risk perception were also evident in the survey. Businesses in the North and South were more likely to perceive the business environment as risky, with businesses in the Midwest and West more likely to portray the business environment as stable. Construction and financial services, with risk ratings of 5.7 and 5.6, respectively, rate the business environment as more risky than do wholesalers (4.3), professional services (4.6), retail and food service (4.7), and technology companies (4.7).

**The larger the business,  
the more likely it is to be  
concerned about a risky  
business environment.**



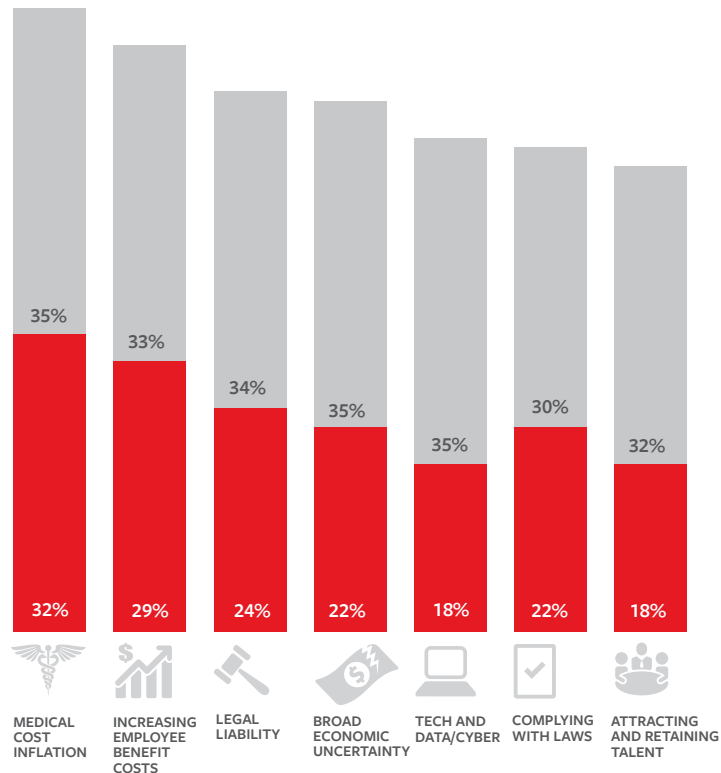
## The seven greatest risk concerns

When presented with a substantial list of business concerns, owners and executives were asked to select those risks that they felt present the greatest threat to their businesses. Overall, businesses selected seven risks that cause significant worry. Medical cost inflation tops the list, followed closely by inflation of employee benefit costs. A majority of U.S. businesses also worry about legal liability, technology threats, legal compliance and regulation, and acquiring and retaining talent.

### GREATEST RISK CONCERNS FOR ALL U.S. BUSINESSES

How much do you worry about this threatening your business?

● Worry a great deal    ● Worry somewhat



# Concerns about increasing risks

Business owners and executives were also asked which risks created cause for concern over time. These risks were viewed as increasing over a period of time, with the potential to cause concern into the future.

Businesses placed medical cost inflation on top of their list as a risk that will continue to cause worry. A majority

of executives (60%) perceive medical cost inflation as the risk that has increased most rapidly over the past 10 years. Nearly half (49%) of those surveyed thought that employee cost benefits was also a steadily increasing risk, and 45% acknowledge the increasing risk of cyber threats.

## RISKS EXECUTIVES BELIEVE ARE INCREASING AND THEIR PERCEIVED PREPAREDNESS

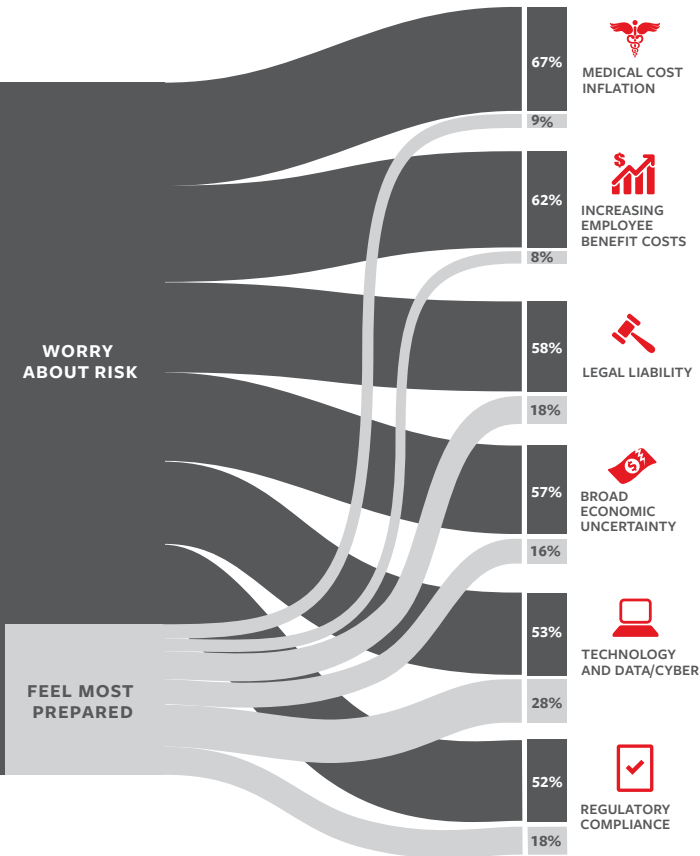
	Increasing risks	Most prepared	Least prepared
MEDICAL COST INFLATION	60%	9%	38%
BROAD ECONOMIC UNCERTAINTY	43%	16%	35%
RISK OF INCREASING EMPLOYEE BENEFIT COSTS	49%	8%	26%
UNDERSTANDING AND COMPLYING WITH U.S. GOVERNMENT LAWS AND REGULATIONS	41%	18%	21%
IMPACT OF THE GLOBAL ECONOMY ON YOUR BUSINESS	26%	8%	19%
GLOBAL/POLITICAL CONFLICT, TERRORISM AND SOCIAL UNREST	21%	4%	19%
COMPUTER, TECHNOLOGY, AND DATA CONCERNS AND RISKS	45%	28%	18%
RISKS RELATED TO EXTREME WEATHER- AND NATURAL DISASTER-RELATED RISKS	14%	15%	16%
LEGAL LIABILITY	42%	18%	14%
FINANCIAL ISSUES, INCLUDING ACCESS TO CAPITAL AND CASH FLOW RISKS	30%	29%	14%
CHANGES IN THE COMPOSITION OF THE AMERICAN WORKFORCE	26%	14%	13%
ABILITY TO ATTRACT AND RETAIN TALENT/APPROPRIATELY SKILLED STAFF/LABOR	30%	19%	12%
IMPACT OF FOREIGN GOVERNMENT REGULATIONS ON YOUR NON-U.S. OPERATIONS	12%	4%	10%
ABILITY TO PROTECT YOUR INTELLECTUAL PROPERTY/COPYRIGHT INFRINGEMENT/TRADE SECRETS	18%	12%	9%
ENVIRONMENTAL AND POLLUTION CONCERNS AND RISKS	16%	9%	9%
RISKS TO CORPORATE REPUTATION	16%	23%	9%
SUPPLY CHAIN RISKS	11%	15%	9%
EMPLOYEE SAFETY, INCLUDING WORKPLACE VIOLENCE	20%	37%	6%
VANDALISM, THEFT (NOT BY EMPLOYEES)	11%	14%	6%
EMPLOYEE THEFT OF SUPPLIES, PRODUCTS OR ASSETS	10%	25%	6%
BEING ABLE TO REACH ONLINE PURCHASERS EFFECTIVELY	10%	11%	5%



# Worry about risk

## MANY COMPANIES WORRY ABOUT RISK

While the top reported concerns vary by region and industry, more than half of all companies surveyed feel the least prepared to handle the risks they worry about most.



Business owners and executives express concern about their ability to control medical cost inflation or the broader uncertainties of the economy. As many as 67% say they are worried about the risk of medical cost inflation, yet only 9% feel prepared to address it. And, of the 57% that worry about what the economy will bring, only 16% say they feel prepared for those challenges. Respondents also feel uneasy about employee benefit costs, compliance with regulations, legal liability and threats to technology.

**As many as 67% say they are worried about the risk of medical cost inflation, yet only 9% feel prepared to address it.**

## Consensus on specific risks

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For each major category of risk, respondents were also asked about more specific risks in that category. Some of these specific risks emerged as concerns among a broad number of businesses.

### **Technology**

Many companies are troubled by the potential for loss in their computer and data systems. Up to 59% of respondents are troubled by the damaging potential of a computer virus, with 21% worrying about it a great deal. Nearly as many executives (56%) appear to be worried by the threat of a security breach and data loss.

### **Compliance and regulations**

Governmental regulation emerged as another worry with executives. The ever-changing landscape of governmental mandates, including OSHA requirements, environmental laws, and taxes and immigration regulations, concern executives across industry groups.

Worry about new laws, including the Affordable Care Act, is reflected in the responses of companies across the spectrum. Up to 52% have a significant concern about understanding and complying with these new laws, and the constraints that come with them. As many as 58% have specific concerns with the Affordable Care Act itself.

### **Other specific concerns**

Few other specific concerns worry businesses across the spectrum of industries, but some concerns are major sources of worry for specific businesses. For example, while employee safety is a major concern for 39% of all executives, 59% of construction executives worry about it. Employee injury concerns 48% of all executives, but 72% of those in construction. Risk to business reputation is a major concern for financial services businesses (24%) and large companies (20%). Errors and omissions are a concern for professional service businesses (20%), healthcare businesses (18%), and financial services and construction (17%).



CATEGORIES OF RISKS IN-DEPTH

	Total Worry	Worry a Great Deal
TECHNOLOGY, COMPUTER AND DATA RISKS		
YOUR COMPANY’S COMPUTER SYSTEM BECOMING INFECTED WITH A VIRUS	59%	21%
A SECURITY BREACH	56%	18%
UNRECOVERABLE LOSS OF STORED DATA AND INFORMATION	50%	18%
YOUR COMPANY’S COMPUTERS BECOMING DAMAGED OR GOING DOWN	50%	14%
SOMEONE GAINING ACCESS TO YOUR COMPANY’S BANK ACCOUNTS OR FINANCIAL CONTROL SYSTEMS	47%	18%
LEGAL AND COMPLIANCE RISKS		
UNDERSTANDING AND COMPLYING WITH NEW U.S. LAWS AND REGULATIONS THAT WILL IMPACT MY BUSINESS	58%	23%
COMPLYING WITH THE REQUIREMENTS OF THE ACA	52%	29%
OTHER SPECIFIC CONCERNS AND RISKS		
EMPLOYEE INJURY	48%	15%
DAMAGE TO COMPANY OR CORPORATE REPUTATION	46%	15%
RIISING WORKERS COMPENSATION CLAIMS/COSTS	46%	16%
PROFESSIONAL MISTAKES, INCLUDING ERRORS AND OMISSIONS	44%	12%



ADDITIONAL WORRIES

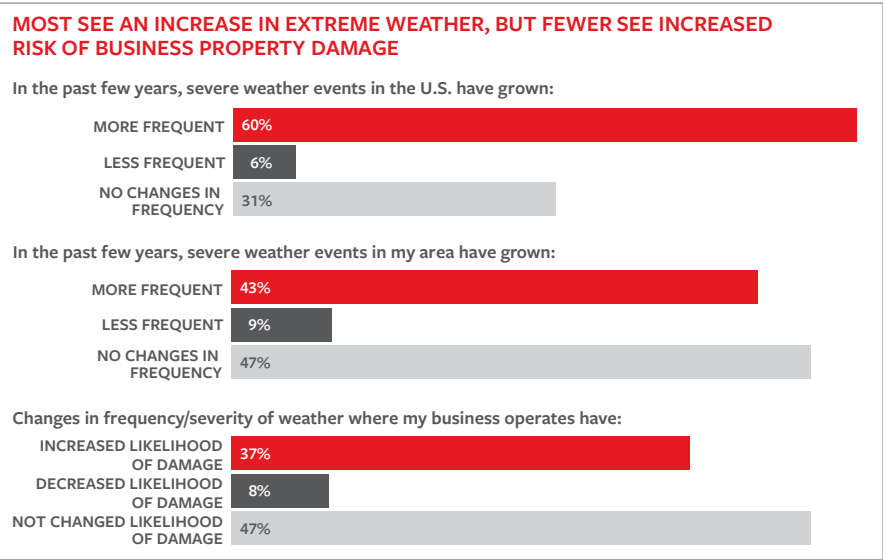
	Total Worry	Worry a Great Deal
MEDICAL COST INFLATION	67%	32%
INCREASING BENEFIT COSTS	62%	29%
LEGAL LIABILITY	58%	24%
ECONOMIC UNCERTAINTY	57%	22%
TECHNOLOGY AND DATA	53%	18%
REGULATORY COMPLIANCE	52%	22%
ATTRACT/RETAIN TALENT	50%	18%
ACCESS TO CAPITAL/FINANCE	47%	16%
CORPORATE REPUTATION	42%	13%
GLOBAL ECONOMIC RISK	40%	13%
EMPLOYEE SAFETY	39%	13%
CHANGES IN WORKFORCE	35%	9%
INTELLECTUAL PROPERTY	33%	10%
EXTREME WEATHER	32%	8%
SUPPLY CHAIN RISKS	26%	6%
EMPLOYEE THEFT	25%	6%
ENVIRONMENTAL/POLLUTION	24%	6%
GLOBAL CONFLICT/TERRORISM	24%	7%
VANDALISM/THEFT	24%	5%
FOREIGN GOVERNMENT REGULATIONS	21%	5%
INTERRUPTED ONLINE SALES	20%	5%



# Weather worries

Extreme weather events appear to be much on the minds of business owners, with 60% expressing concern that severe weather events in the U.S. are becoming more regular. Owners of small businesses are most likely to express concern about weather risks at 65%, but mid-sized businesses (59%) and large businesses (56%) appear to agree.

Business owners in regions with repeated exposure to severe weather patterns are more likely to express concern, with greater concern in the Midwest (68%) and the Northeast (64%).



While executives worry that severe weather events are increasing, only one in three (32%) are concerned about severe weather creating a threat to their business operations. More than half (52%) of those surveyed feel that the frequency of extreme weather conditions does not change the likelihood of damage to their businesses. Still, 37% do feel that the potential for loss has increased due to the change in weather patterns.

# Risk concerns within regional borders

Though concerns vary by geographic region, medical cost inflation still tops the list in every area of the country except the Western states (24%). Midwestern businesses are more concerned than others with attracting and retaining talent (25% are very worried about this). Western businesses appear to be less concerned than their peers in other regions about most risks.

## GREATEST RISK CONCERNS BY REGION

	Northeast	South	Midwest	West	Overall
MEDICAL COST INFLATION	35%	36%	36%	24%	32%
INCREASING BENEFIT COSTS	31%	30%	28%	25%	29%
LEGAL LIABILITY	29%	22%	24%	21%	24%
ECONOMIC UNCERTAINTY	22%	22%	25%	20%	22%
REGULATORY COMPLIANCE	27%	19%	19%	21%	22%
TECHNOLOGY RISKS	25%	14%	18%	15%	18%
ATTRACT/RETAIN TALENT	20%	18%	25%	11%	18%
ACCESS TO CAPITAL/FINANCE	21%	18%	14%	12%	16%
CORPORATE REPUTATION	15%	10%	14%	13%	13%
EMPLOYEE SAFETY	12%	13%	12%	10%	13%
GLOBAL ECONOMIC RISK	18%	12%	10%	11%	13%
INTELLECTUAL PROPERTY	12%	7%	12%	7%	10%
CHANGES IN AMERICAN WORKFORCE	8%	12%	10%	7%	9%
EXTREME WEATHER	9%	10%	7%	6%	8%
GLOBAL CONFLICT/TERRORISM	8%	5%	9%	8%	7%
EMPLOYEE THEFT	7%	5%	4%	6%	6%
SUPPLY CHAIN RISK	6%	6%	6%	7%	6%
ENVIRONMENTAL/POLLUTION	8%	8%	4%	2%	6%
VANDALISM/THEFT	5%	5%	5%	5%	5%
INTERRUPTED ONLINE SALES	4%	4%	2%	7%	5%
FOREIGN GOVERNMENT REGULATIONS	7%	7%	5%	3%	5%



Medical cost inflation still tops the list in every area of the country except the Western states.

# Risk concerns along industry lines

From industry to industry, the concern about risk, the preparedness for these risks and the attempts to mitigate risk varies accordingly.

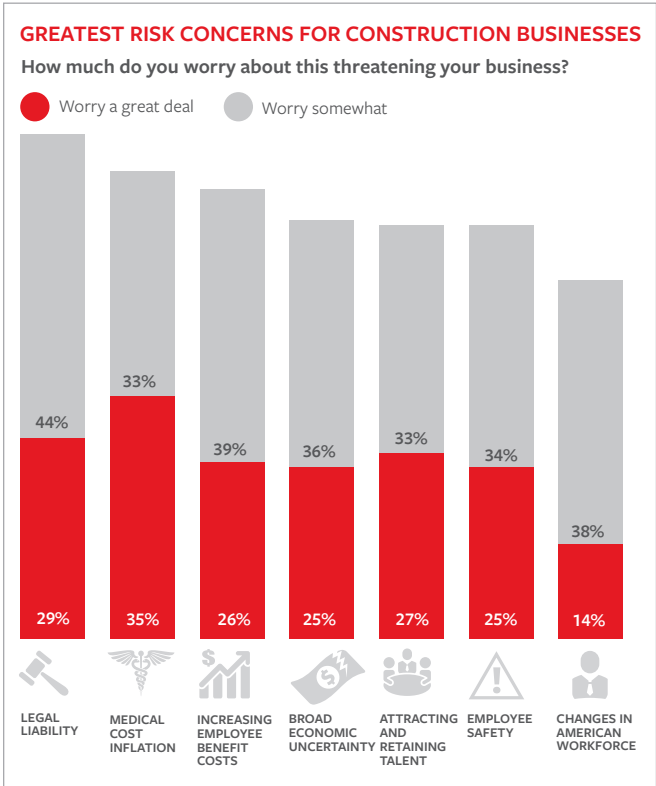
## Construction

Construction businesses face major physical risks. However, in ranking risks, these businesses feel that healthcare costs contain the most potential risk and the general business environment poses nearly as much perceived threat.

When ranking the top eight concerns, nearly three-quarters (73%) of construction business decision makers find that legal liability worries them a great deal or somewhat. Construction companies are twice as likely (25%) to worry a great deal about employee safety than businesses overall. However, the top concerns for construction companies, like most companies, are medical cost inflation and the ability to attract and retain talent (27%).

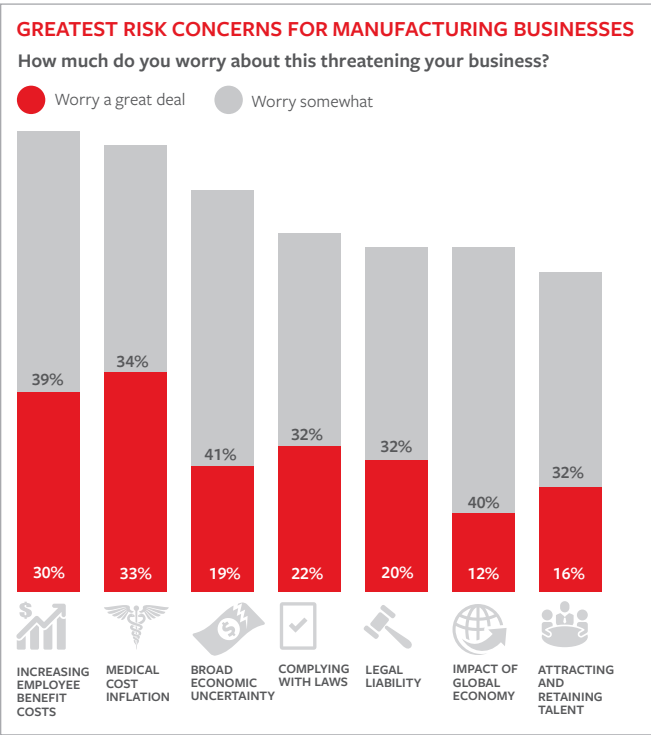


Construction executives worry a great deal about rising workers compensation claims (32%) and complying with OSHA requirements (31%). In addition, 29% worry significantly about complying with laws and regulations.



## Manufacturing

For manufacturing executives, medical cost inflation (33%) and increasing employee benefit costs (30%) are at the top of concerns. Understanding and complying with laws and regulations is a significant concern for manufacturing executives. Manufacturers are more worried about complying with new environmental laws and regulations (17%), but the regulation that is most concerning to manufacturers is the Affordable Care Act (27%). Manufacturing executives also express great concern about protecting intellectual property (17%).







breach, while 31% worry a great deal about the potential for loss of control of customer data records. In addition, 30% show great concern about the possibility that outside hackers could gain access to a company's bank accounts or financial control systems.

## Financial services

The chief concerns in banking and financial services businesses are specifically related to their core business activities. These concerns center on complying with U.S. laws and regulations, legal liability, technology risk and reputational risk. As many as 40% of executives in financial services worry a great deal about compliance risk.

At 30%, legal liability risk is substantially above the average. Also, 24% of banking and financial services executives worry a great deal about risks to their corporate reputation.

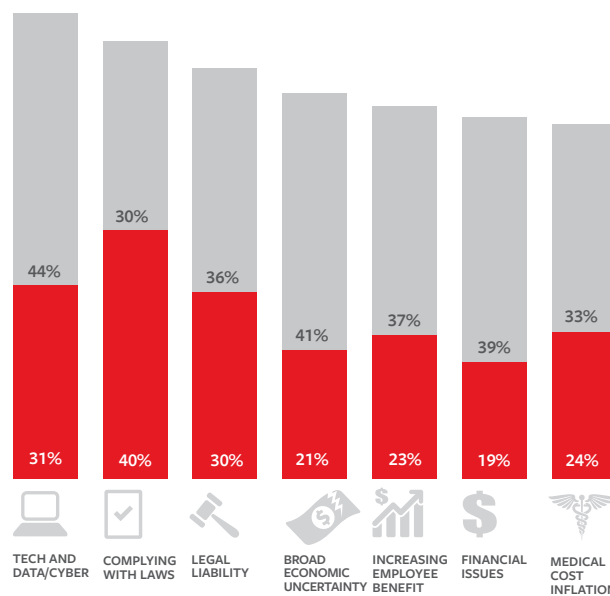
The other leading risk or concern for financial services is cyber risk, including computer, technology and data loss. This is a major worry for 31% of respondents. More specifically, 34% express great concern about the potential for a security

### GREATEST RISK CONCERNS FOR BANKING AND FINANCIAL SERVICES BUSINESSES

How much do you worry about this threatening your business?

● Worry a great deal

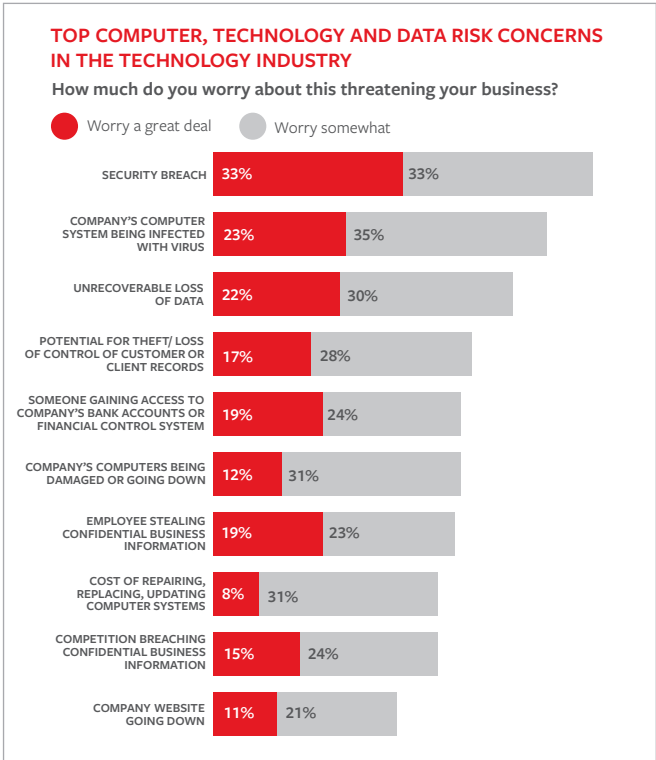
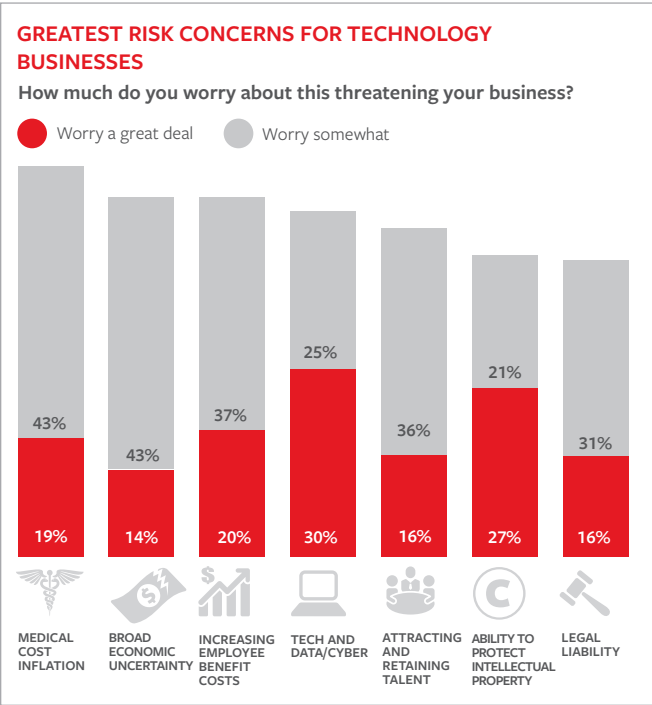
● Worry somewhat



Technology

The top risk for the technology industry is medical cost inflation (62%). Protecting intellectual property is the risk that stands out as unique for technology companies, with 27% worrying a great deal about it.

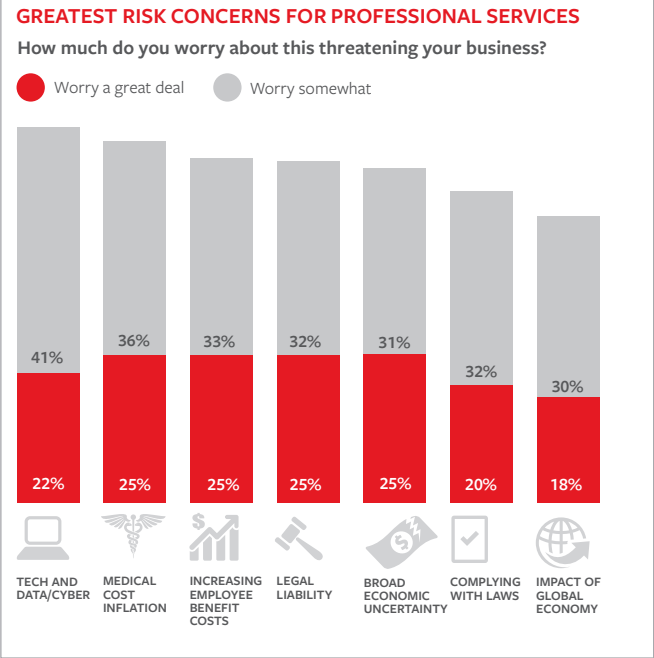
When it comes to specific technology concerns, nearly twice as many technology executives (33%) worry more about a security breach as the average among all U.S. businesses (18%).



Professional services

The professional service businesses spread their concern evenly across many risk categories. Professional service businesses view the business environment as less risky than most other industries.

About two-thirds (63%) of those working in professional services worry at least somewhat about computer, technology and data concerns and risks, followed by medical cost inflation (61%), increasing employee benefit costs (58%), legal liability (57%), broad economic uncertainty (56%), legal compliance (52%) and the impact of the global economy on their business (48%).



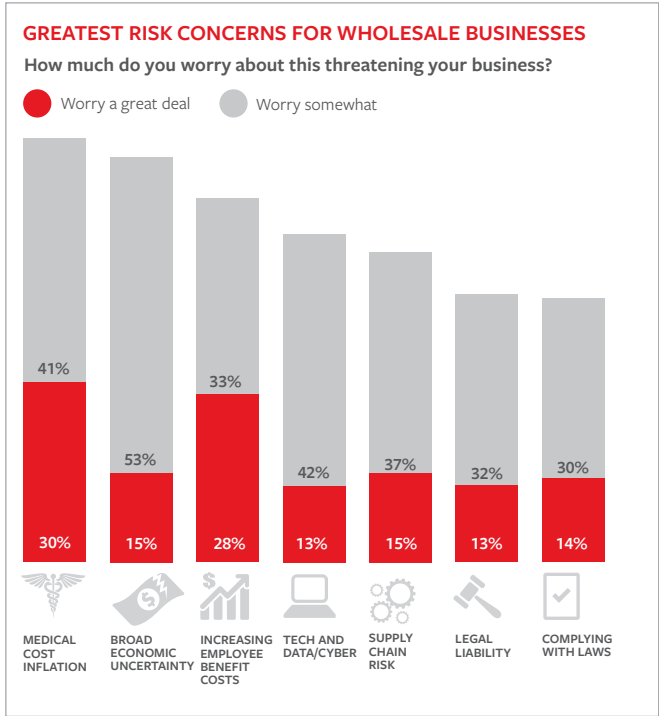


## Wholesalers

Executives in wholesale businesses perceive less risk in their business environment compared to other industries surveyed. Wholesalers' top concerns are medical cost inflation and rising employee benefit costs.

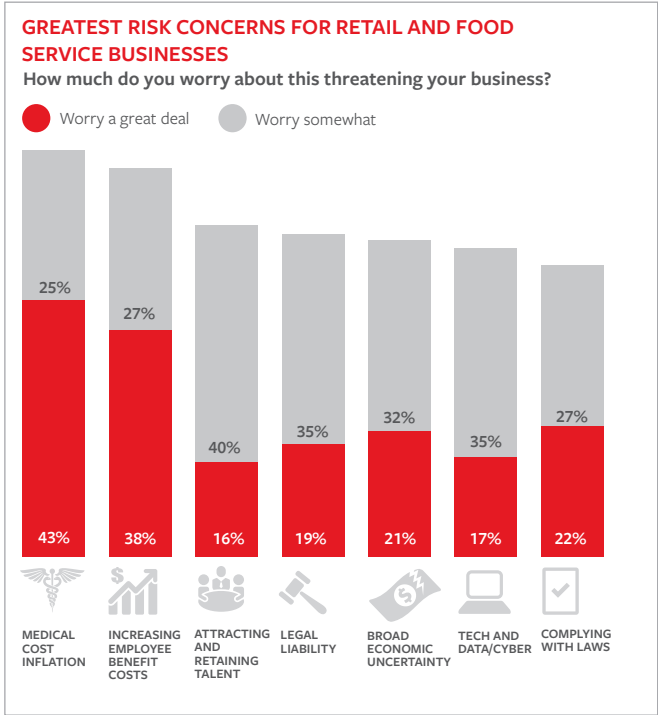
Medical cost inflation worries 30% of wholesalers a great deal and 71% of wholesalers at least some. The next greatest concern is increasing employee benefit costs (28% a great deal, 61% at least some).

The other worry for wholesalers is broad economic uncertainty, which is a great concern to just 15%, but about 68% worry at least some. Technology risk (55% worry at least somewhat), supply chain risk (52%), legal liability (45%) and legal compliance (44%) complete the list.



Retail and food service

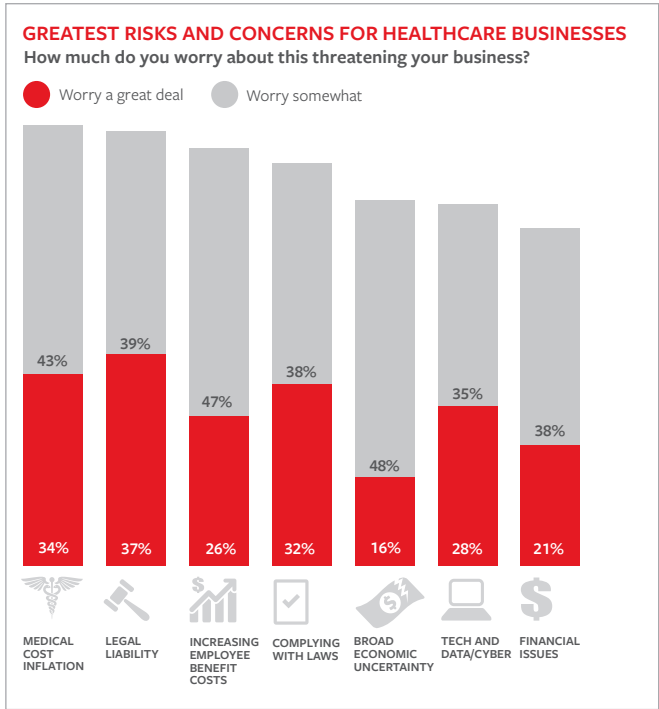
Retail and food service professionals’ concerns are dominated by medical cost inflation (43% worry a great deal) and increasing employee benefit costs (38%). On both of these issues, retailers’ intense concern is meaningfully higher than the average.



Healthcare businesses

The top concern for executives in healthcare businesses is medical cost inflation. More than three quarters (77%) of healthcare professionals worry about medical cost inflation at least somewhat and 34% worry a great deal.

Healthcare executives' other concerns are legal liability, with 76% worrying at least some about legal liability (37% worry a great deal), 70% worrying about legal and regulatory compliance (32% a great deal), 63% about technology risk (28% a great deal), and 73% worrying about increasing employee benefit costs (26% a great deal). When asked further about legal compliance risks, 60% of healthcare professionals say they worry about complying with the requirements of the Affordable Care Act (36% a great deal).



# Recognizing, managing and mitigating risk

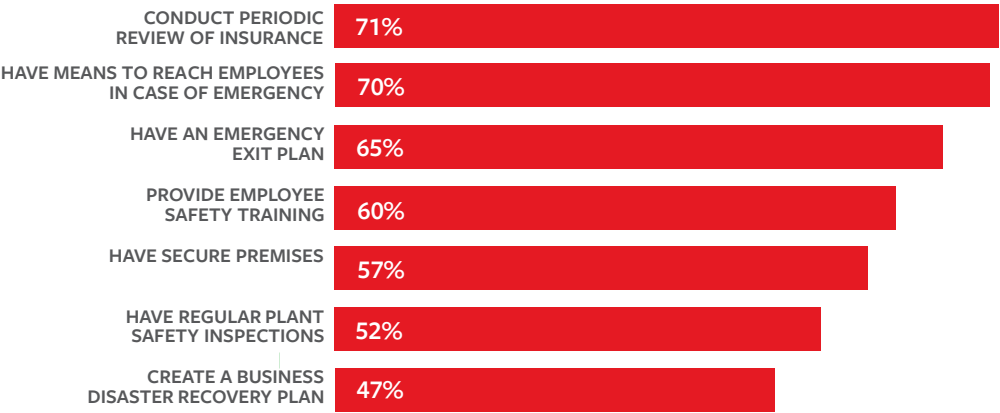
A time-tested method of dealing with risk is to formulate a business continuity or disaster recovery plan that identifies risk, creates plans and methods for mitigation of these risks, and tracks these efforts for effectiveness.

The survey finds that just over half (55%) of businesses have a formal plan, while 40% of executives say they do not. Just 30% of small businesses have a business continuity plan

and 59% of mid-sized businesses have a plan. Even among large businesses, continuity plans are not universal, with 79% having one and 17% not having a plan (and 4% unsure).

## MOST COMMON RISK MITIGATION STRATEGIES

Proportions saying their company takes/has taken each risk prevention measure



The same pattern of preparedness is repeated for a wide range of risk reduction, prevention and mitigation steps.

A 71% majority of all businesses conduct a periodic review of insurance to ensure adequate coverage, 70% have a plan to reach employees and their families in case of emergencies, 65% have an emergency exit plan, 60% provide employees with safety training and 57% ensure secure premises.

Company size appears to be a major factor in distinguishing how prepared a business is to weather risk. In nearly all cases, we see that larger companies were more likely to have taken the risk management steps needed to be prepared.

RISK MITIGATION ACTIONS TAKEN, BY COMPANY SIZE

	Overall	Small business	Mid-sized business	Large business
CONDUCT PERIODIC REVIEW OF INSURANCE	71%	61%	78%	73%
HAVE MEANS TO REACH EMPLOYEES AND THEIR FAMILY MEMBERS IN CASE OF EXTREME EMERGENCIES/CRISES	70%	68%	70%	73%
HAVE AN EMERGENCY EXIT PLAN	65%	49%	74%	72%
PROVIDE EMPLOYEE SAFETY TRAINING	60%	42%	68%	70%
HAVE SECURE PREMISES	57%	43%	62%	68%
HAVE REGULAR PLANT SAFETY INSPECTIONS TO ID STRUCTURAL, ELECTRICAL OR OTHER PHYSICAL RISKS	52%	34%	56%	68%
CREATE A BUSINESS DISASTER RECOVERY PLAN	47%	23%	50%	71%
CONSULT WITH SPECIALIST FROM YOUR INSURANCE AGENT/BROKER	42%	25%	46%	56%
CONSULT WITH SAFETY/LOSS CONTROL/RISK SPECIALIST FROM YOUR INSURANCE COMPANY	45%	23%	54%	61%
PREPARE FOR EXTREME WEATHER EVENT OR NATURAL DISASTER BY STORING THINGS	45%	42%	46%	47%
CONSULT INSURANCE COMPANY WEBSITE	32%	26%	34%	38%
CONSULT AN INDUSTRY ASSOCIATION FOR ADVICE	30%	19%	33%	38%
CONSULT A COLLEAGUE OR PEER FOR ADVICE	38%	29%	41%	45%
INSTALL AN EMERGENCY PANIC BUTTON	33%	17%	36%	47%
CONSULT INTERNET FOR ADVICE	31%	26%	33%	33%
USE TELEMATICS DEVICES FOR VEHICLE MONITORING	18%	7%	19%	30%
HIRE A THIRD PARTY CONSULTANT	21%	7%	20%	40%

## RISK MITIGATION ACTIONS TAKEN, BY INDUSTRY

	Overall	Construction	Manufacturing	Technology	Banking/ Financial
CONDUCT PERIODIC REVIEW OF INSURANCE	71%	71%	78%	70%	76%
HAVE MEANS TO REACH EMPLOYEES AND THEIR FAMILY MEMBERS IN CASE OF EXTREME EMERGENCIES/CRISES	70%	70%	70%	72%	81%
HAVE AN EMERGENCY EXIT PLAN	65%	54%	78%	53%	83%
PROVIDE EMPLOYEE SAFETY TRAINING	60%	71%	76%	48%	66%
HAVE SECURE PREMISES	57%	50%	68%	57%	78%
HAVE REGULAR PLANT SAFETY INSPECTIONS TO ID STRUCTURAL, ELECTRICAL OR OTHER PHYSICAL RISKS	52%	62%	75%	47%	56%
CREATE A BUSINESS DISASTER RECOVERY PLAN	47%	37%	52%	51%	83%
CONSULT WITH SPECIALIST FROM YOUR INSURANCE AGENT/ BROKER	42%	47%	58%	40%	49%
CONSULT WITH SAFETY/LOSS CONTROL/RISK SPECIALIST FROM YOUR INSURANCE COMPANY	45%	49%	64%	39%	54%
PREPARE FOR EXTREME WEATHER EVENT OR NATURAL DISASTER BY STORING THINGS	45%	43%	40%	51%	61%
CONSULT INSURANCE COMPANY WEBSITE	32%	31%	35%	39%	48%
CONSULT AN INDUSTRY ASSOCIATION FOR ADVICE	30%	23%	29%	29%	44%
CONSULT A COLLEAGUE OR PEER FOR ADVICE	38%	32%	32%	41%	50%
INSTALL AN EMERGENCY PANIC BUTTON	33%	21%	34%	27%	56%
CONSULT INTERNET FOR ADVICE	31%	25%	30%	40%	33%
USE TELEMATICS DEVICES FOR VEHICLE MONITORING	18%	18%	22%	20%	23%
HIRE A THIRD PARTY CONSULTANT	21%	18%	22%	23%	36%



## Construction

Different industries prevent and mitigate risk using a variety of tested methods and strategies. Seventy-one percent of construction professionals say their company conducts a periodic review of insurance with a broker or agent to ensure that all coverage is adequate.

Construction companies are much more likely to provide employee safety training than other industries, by 71% to 60%. Construction companies also are more likely to have consulted with a safety, loss control or risk specialist from their insurance company (49%), or their insurance agent or broker (47%).

## Manufacturing

Executives in the manufacturing industry are more likely than almost any other industry to conduct periodic reviews of insurance with their agent or broker (78%). Manufacturers also are very likely to have an emergency exit plan (78%), provide employee safety training (76%), have regular plant safety inspections (75%), and have means to reach employees and their families in case of emergency (70%).

## Technology

According to the survey, technology companies' most significant mitigation plan is to know how to reach employees and their families in case of emergencies or crises (72%).

They are likely to conduct periodic reviews of insurance (70%), have secure premises (57%), have an emergency exit plan (53%), create a business disaster recovery plan (51%), and prepare for an extreme weather event or natural disaster by storing things such as flashlights, drinking water and food (51%).

## Banking/Financial

Businesses in the banking and financial industry are more likely than any other industry to have an emergency exit plan (83% compared with 65% overall), create a business disaster recovery plan (83% compared with 47%), have a means to reach employees in case of disaster (81% compared to 70%) and have secure premises (78% compared with 57%). In fact, banking and financial professionals have taken more risk prevention measures than businesses overall in every single category.

## RISK MITIGATION ACTIONS TAKEN, BY INDUSTRY (CONTINUED)

	Overall	Healthcare	Professional service	Retail/Food	Wholesale
CONDUCT PERIODIC REVIEW OF INSURANCE	71%	70%	73%	67%	79%
HAVE MEANS TO REACH EMPLOYEES AND THEIR FAMILY MEMBERS IN CASE OF EXTREME EMERGENCIES/CRISES	70%	67%	71%	67%	69%
HAVE AN EMERGENCY EXIT PLAN	65%	66%	65%	60%	64%
PROVIDE EMPLOYEE SAFETY TRAINING	60%	61%	53%	48%	64%
HAVE SECURE PREMISES	57%	53%	56%	56%	53%
HAVE REGULAR PLANT SAFETY INSPECTIONS TO ID STRUCTURAL, ELECTRICAL OR OTHER PHYSICAL RISKS	52%	55%	46%	44%	52%
CREATE A BUSINESS DISASTER RECOVERY PLAN	47%	48%	62%	26%	46%
CONSULT WITH SPECIALIST FROM YOUR INSURANCE AGENT/ BROKER	42%	43%	37%	36%	46%
CONSULT WITH SAFETY/LOSS CONTROL/RISK SPECIALIST FROM YOUR INSURANCE COMPANY	45%	50%	42%	38%	45%
PREPARE FOR EXTREME WEATHER EVENT OR NATURAL DISASTER BY STORING THINGS	45%	50%	46%	32%	42%
CONSULT INSURANCE COMPANY WEBSITE	32%	31%	38%	27%	27%
CONSULT AN INDUSTRY ASSOCIATION FOR ADVICE	30%	31%	38%	18%	27%
CONSULT A COLLEAGUE OR PEER FOR ADVICE	38%	44%	41%	35%	26%
INSTALL AN EMERGENCY PANIC BUTTON	33%	40%	30%	31%	25%
CONSULT INTERNET FOR ADVICE	31%	28%	36%	30%	25%
USE TELEMATICS DEVICES FOR VEHICLE MONITORING	18%	15%	24%	10%	20%
HIRE A THIRD PARTY CONSULTANT	21%	21%	24%	13%	19%





## Professional service

Professional service business executives show a much higher propensity toward preventing and mitigating the risk they feel. Nearly three-quarters (73%) conduct a periodic review of insurance coverage with their agent or broker, 71% have a means to reach employees in case of emergency, 65% have an emergency exit plan and 62% have created a business disaster recovery plan.

## Retail/Food

Two-thirds (67%) of retail/food service businesses have a means to reach employees and families in case of emergency, and an equal proportion (67%) of retail/food service businesses conduct a periodic review of insurance with their agent or broker. Just 60% have an emergency exit plan and only 56% say they have secure premises, with just 48% providing employee safety training.

## Healthcare

A majority (70%) of healthcare professionals conduct periodic reviews of their insurance coverage, 67% have a means to reach employees in case of a crisis, 66% have an emergency exit plan and 61% provide employee safety training. More than half (55%) have regular safety inspections to identify risks, 53% have secure premises, and 50% prepare for extreme weather and consult with a safety/loss control/risk specialist from their insurance company.

## Wholesalers

Wholesalers are more likely than any other industry to conduct a periodic review of insurance coverage with their agent or broker (79% compared with 71% overall). They are also slightly more likely to consult with a safety/loss control/risk specialist from their agent or broker (46% compared with 42%) and to provide employee safety training (64% compared with 60%).

# Where businesses turn for risk prevention

Businesses rely on the companies that provide insurance coverage as their primary source for advice on loss prevention and risk mitigation. Just over half of businesses (58%) rely on their insurance carrier, 56% on their agent or broker, and 48% on their attorney. Far fewer (34%) turn to accountants, and even fewer still (24%) have turned to a loss or risk control advisor.

## WHO DOES YOUR COMPANY CONSULT FOR RISK PREVENTION, MITIGATION ADVICE?

	All	Small business	Medium business	Large business
YOUR INSURANCE CARRIER	58%	55%	61%	57%
YOUR AGENT OR BROKER	56%	59%	60%	43%
YOUR ATTORNEY	48%	39%	52%	55%
YOUR ACCOUNTANT	34%	43%	32%	27%
YOUR BOARD OF DIRECTORS	24%	12%	28%	32%
LOSS/RISK CONTROL ADVISOR	24%	7%	22%	50%
BUSINESS CONTACTS	19%	21%	20%	16%
INDUSTRY OR TRADE ASSOCIATION	17%	15%	18%	17%
GENERAL INTERNET SEARCHES	8%	13%	7%	5%
TRADE MAGAZINES	4%	6%	3%	4%

## Risk management and business success

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The Travelers survey found a correlation between those companies that practice risk management and those that claim success in their markets. While correlation does not prove causation, the evidence shows a relationship between companies that focus on risk prevention and the company's self-reported performance relative to others in the industry.

Just 24% of all businesses and 36% of large businesses say they make preventing, preparing for and responding to risk a strategic priority. Another 40% of all businesses and 43% of large businesses view this as an important management activity. For 30% of all businesses and 42% of small businesses, managing risk is just one of many issues facing management. For another 6% of businesses, preventing, preparing for and responding to risk is not an important priority.

The majority of business executives who say their company makes managing risk a strategic priority also say they are outperforming other businesses in their industry financially.

Those businesses that report they do not make risk management a strategic priority say they are either performing near their industry average or are underperforming within their industry.

Among the 24% of all businesses that are making risk management a strategic priority, 54% also say they are overperforming within their industry financially and 45% say they are performing at or near the average for their industry or underperforming.

Among the 40% of businesses that say risk management is an important management activity, 46% report financial performance that leads their industry and 52% say they are performing at, near, or below the average for their industry.

There is greater disparity for the 36% of businesses that say risk management is either just one of many issues their business deals with or that it is not an important priority for their business. Among the business placing the lowest priority on risk management, 41% say they are overperforming in their industry and 56% say their performance is at, near, or below the average for their industry.

**The majority of business executives who say their company makes managing risk a strategic priority also say they are outperforming other businesses in their industry financially.**

**PAYING CLOSE ATTENTION TO RISK IS ASSOCIATED WITH HIGHER REPORTED FINANCIAL PERFORMANCE**

**Businesses that make risk prevention a strategic priority are more likely to say they are financially outperforming their peers.**

● Overperforming compared to others in my industry

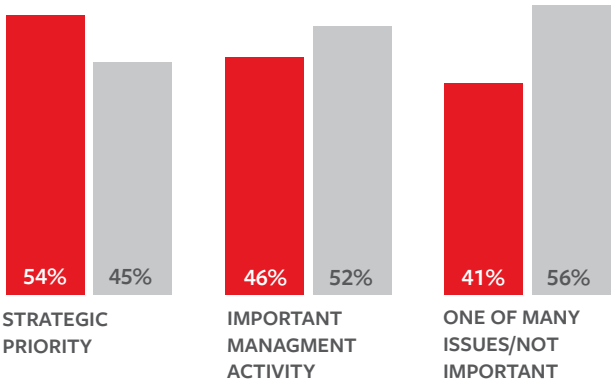
● Near industry level/underperforming

● Sales/revenues have increased in the past three years

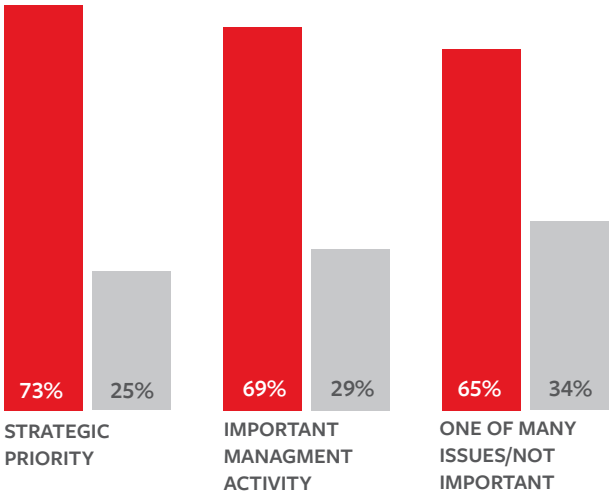
● Sales/revenues have decreased/stayed the same in the past three years

*By importance of risk prevention to company.*

Characterization of company's financial performance over past three to five years.



Over the past three years, how have your company's sales/revenues fared?





The story is similar for company revenue. Among the businesses that say managing risk is a strategic priority, 73% report increased sales revenue in the past three years, while just 25% say their sales revenue has decreased.

Among companies where risk management is just one of many issues or not important, 65% report a sales increase

and 34% report same or decreased sales. Companies that choose the answer in the middle on risk management – an important management activity – fall in the middle on revenue, with 69% reporting an increase and 29% reporting a decrease or no change in sales.

## Risk management expertise

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Travelers has 160 years of experience in risk management. We have come to know that understanding risk, and mitigating the losses it poses, is a way to keep companies financially sound, employees safe and customers satisfied.

### **METHODOLOGY**

Hart Research conducted a national online survey from Feb. 10 to Feb. 27, 2014, among 1,166 business owners and executives nationwide. The survey was commissioned by Travelers and has a statistical margin of error of 2.9 percentage points. The margin of error will be higher among subgroups, and sampling error is just one form of error or bias that can affect survey results.

### **ABOUT HART RESEARCH ASSOCIATES**

Hart Research Associates is one of the leading survey research firms in the United States. Now in its 43rd year of operation, the firm has conducted well over 7,000 public opinion surveys and has administered and analyzed interviews among more than four million individuals in that time. Hart Research also has undertaken more than 6,000 focus group sessions. Our client base represents five major sectors of society: nonprofit institutions and advocacy organizations, labor unions, politics and public policy, business and industry, and the media. For more information, visit: [hartresearch.com](http://hartresearch.com).

### **ABOUT TRAVELERS**

The Travelers Companies, Inc. (NYSE: TRV) is a leading provider of property casualty insurance for auto, home and business. A component of the Dow Jones Industrial Average, Travelers has approximately 30,000 employees and generated revenues of approximately \$26 billion in 2013. For more information, visit [travelers.com](http://travelers.com).

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For more information on the Travelers Business Risk Index, visit:  
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