

Travelers Identifies Top Concerns for American Businesses in New Annual Risk Index

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Medical cost inflation, legal liability and technology risks among biggest challenges for businesses

American businesses large and small say medical cost inflation, legal liabilities and technology risks are among their top concerns, according to the baseline findings of a new annual Business Risk Index from Travelers (NYSE: [TRV](#)). The survey polled more than 1,100 business decision makers to better understand what they believe poses the biggest threat to their business. Many leaders said the risks they identified as their biggest concerns are also the issues their business is least prepared to address.

“While the new Business Risk Index revealed some typical risks for businesses, it also uncovered some uncertainties that are indicative of the times, including medical cost inflation and technology risks,” said Bill Cunningham, Executive Vice President of Business Insurance at Travelers. “Many respondents believe their businesses are least prepared to handle these risks. The good news is that many of these risks can be mitigated and there are resources available to help businesses of any size stay protected.”

Amidst a rapidly changing healthcare landscape and recent, highly publicized cyber breaches, the top risks identified by those polled included:

- 67 percent thought medical cost inflation was a leading risk for their business;
- 58 percent cited legal liability issues, such as omissions and errors;
- 53 percent were concerned about technology issues including data risks, such as hacking and viruses; and
- 52 percent reported concerns with understanding and complying with U.S. government laws and regulations that may affect their business or industry.

Despite the fact that 48 percent of respondents believe the world is growing riskier, only about one in four (24 percent) business decision makers say that preventing, preparing for and responding to risk is a strategic priority. Of this group, small businesses were least likely to name risk management as a strategic priority or an important management activity compared to large and medium-sized companies.

Medical Cost Inflation

When asked how much they worry about certain risks affecting their business, medical cost inflation was the leading risk. While many business decision makers are concerned with this issue, and 60 percent of respondents identified this risk as increasing, it is the risk that executives believe their business is least prepared to manage.

Technology

Computer, technology and data-related risks, particularly computer viruses and hacking, are of major concern to business decision makers. In fact, 59 percent of respondents worry about their systems being infected with a virus and being susceptible to a security breach. Additionally, 44 percent worry about losing control of customer records and 50 percent are worried about the company computers becoming damaged or going down.

Legal Liability

Legal liability-related risks are another significant source of concern for business decision makers. These risks include professional mistakes, which worry 44 percent of respondents; driving accidents, which are a concern for 33 percent of those surveyed; and lawsuits brought on by employees, which concerns 35 percent of business decision makers.

Small Businesses at Risk

Small business decision makers do not appear as worried as their counterparts from mid- to large-sized

companies about the issues identified as the top risks in the Travelers Business Risk Index. While they have indicated less concern, a damaging event could have an even greater long-term impact on a small business, which generally has less access to capital. The Business Risk Index identifies that only about half (55 percent) of small business owners rely on risk management guidance from their insurance carrier.

Additional Concerns

American business executives worry about numerous other risks. Sixty percent of respondents believe that extreme weather events are happening more frequently, and 37 percent believe the increase in severe weather frequency and severity poses an increased risk of damage to their business (e.g., damage to property, equipment, facilities or vehicles). About half (55 percent) of those surveyed have a business continuity plan in place, and only 30 percent of small business decision makers reported having a business continuity plan. Access to capital and financial issues worry 47 percent and, at 42 percent, risk to corporate reputation is also a mid-level concern. Concerns about employee safety and global economic risk were cited by 39 and 40 percent of American business executives, respectively.

For full results, including industry-specific information, please visit www.Travelers.com/BusinessRiskIndex.

About the Survey

[Hart Research](#) conducted a national online survey of 1,166 business decision makers from Feb. 10, 2014 to Feb. 27, 2014. Small businesses are defined as those having 2 - 49 employees, mid-sized businesses as having 50-999 employees and large businesses as having 1,000+ employees. The survey was commissioned by Travelers and has a statistical margin of error of +/- 2.9 percentage points.

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 www.travelers.com.

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