2015 Travelers Business Risk Index
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2015 Travelers Business Risk Index Online

For the complete package of the 2015 Travelers Business Risk Index, which includes an expanded set of charts for download as well as related content and other key materials, visit the following page:

Executive summary

The 2015 Travelers Business Risk Index shows that cyber security has moved near the top of the list of concerns for business leaders in the past year. Executives’ concerns over medical cost inflation, legal liability issues, how to attract and retain the right talent, complying with laws, and apprehension about overall economic uncertainty have remained about the same as last year.

Many companies remain worried about general business risk in 2015, with 44% of those surveyed indicating the business environment is becoming riskier. Yet, when it comes to managing risk, businesses are often least prepared for their most worrisome concerns. That includes 33% of businesses that list rising medical costs and 29% that cite cyber security problems as risks they are least prepared to handle.
Rising medical and benefit costs

Medical cost inflation continues to rank as the highest concern among all businesses, cited by 60% of those surveyed. The closely related concern about rising employee benefit costs was cited as a major concern by 56% of all businesses, yet 24% said they are least prepared to manage this risk.

Cyber risks

The latest poll identifies computer-related issues as the second concern for all businesses (58%), as opposed to 2014 when it was ranked fifth. Seventy percent of large businesses now see cyber risk as a major threat, compared with 60% of mid-sized businesses, and 45% of small businesses.

On the whole, businesses worry far more about malicious cyberattacks, such as viruses or hackers, than they do about system crashes or careless computing practices by employees. About one in 10 businesses believes it has been the victim of a cyberattack, including one in five large businesses.

Still, 29% of all businesses list cyber threats as one of the risks they are least prepared to face. While 53% of companies say they review their data security plans and practices, only 33% have a cyber or data breach response plan. Larger companies, which worry most about cyber issues, are also the most prepared.

CYBER RISKS AND CONCERNS

Percentage of business decision makers who say they worry a great deal/somewhat about each concerning their company:

<table>
<thead>
<tr>
<th>Risk</th>
<th>All businesses</th>
<th>Small businesses</th>
<th>Mid-sized businesses</th>
<th>Large businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Data system becoming infected with virus</td>
<td>57%</td>
<td>53%</td>
<td>59%</td>
<td>61%</td>
</tr>
<tr>
<td>Computers becoming damaged, crashing</td>
<td>51%</td>
<td>49%</td>
<td>51%</td>
<td>55%</td>
</tr>
<tr>
<td>Someone gaining access to banking accounts or financial control systems</td>
<td>51%</td>
<td>48%</td>
<td>50%</td>
<td>54%</td>
</tr>
<tr>
<td>Security breach: someone hacking into computer system</td>
<td>50%</td>
<td>39%</td>
<td>52%</td>
<td>61%</td>
</tr>
<tr>
<td>Cost of repairing, replacing, updating computer systems</td>
<td>50%</td>
<td>48%</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td>Unrecoverable loss of company’s stored data and information</td>
<td>50%</td>
<td>45%</td>
<td>51%</td>
<td>55%</td>
</tr>
<tr>
<td>Potential for theft/loss of control of customer or client records</td>
<td>46%</td>
<td>36%</td>
<td>48%</td>
<td>54%</td>
</tr>
<tr>
<td>Employees putting information/systems at risk through unsafe computing practices, using personal devices for business</td>
<td>45%</td>
<td>31%</td>
<td>48%</td>
<td>59%</td>
</tr>
<tr>
<td>Remote access or hacking into supervisory control systems or other business operational software systems</td>
<td>44%</td>
<td>32%</td>
<td>46%</td>
<td>58%</td>
</tr>
<tr>
<td>Hackers making company’s confidential info or communications public</td>
<td>43%</td>
<td>31%</td>
<td>45%</td>
<td>57%</td>
</tr>
<tr>
<td>Having financial resources to recover from data-related breaches</td>
<td>43%</td>
<td>39%</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Shortage of skilled cyber security talent to keep ahead of cyber threats</td>
<td>39%</td>
<td>25%</td>
<td>42%</td>
<td>53%</td>
</tr>
<tr>
<td>Using online cloud storage for data or information</td>
<td>36%</td>
<td>30%</td>
<td>35%</td>
<td>44%</td>
</tr>
<tr>
<td>Having prepared incident response or business continuity plan</td>
<td>32%</td>
<td>22%</td>
<td>36%</td>
<td>41%</td>
</tr>
</tbody>
</table>
Legal liability

Businesses face many legal risks, but the threat of professional mistakes and errors and omissions is the highest legal liability-related concern (42%) across businesses of all sizes. In general, larger companies worry more about legal liability than smaller businesses. Other legal concerns involve employee lawsuits for discrimination or wrongful termination, customer injury, and motor vehicle accidents caused by employees.

Workforce concerns

Among issues involving the workforce, attracting and retaining talent is a leading concern cited by 53% of all companies. Some specific challenges involve difficulty retaining experienced workers (43%) and cost and time involved in training new workers (41%). Many (40%) cite a shortage of skilled workers as baby boomers retire.

Emerging concerns

In addition to the leading risks identified by the Travelers Business Risk Index, there is rising concern about global conflict and political instability, as well as continued concern about the impact of extreme weather on company property and equipment.

Global/political conflict was, in fact, one of the concerns that increased the most among business leaders. About one-third surveyed (32%) worry about global/political conflict, which is eight percentage points higher than in 2014. One-quarter of decision makers surveyed said political unrest is a larger concern today than it was five to 10 years ago, up four percentage points from 2014.

Many businesses (52%) believe that extreme weather events have become more commonplace in recent years. Nearly one in three (32%) see an increasing likelihood of damage to property or equipment as a result of extreme weather. Coming through a difficult winter, the most pronounced view of extreme weather came from businesses in the Northeast (59%).

Even with rising concern about these threats, only 50% of companies have a written business continuity plan and only 41% have a recovery plan to help their business rebound after a major disaster.

NORTHEAST LEADS BELIEF AMONG U.S. BUSINESSES THAT SEVERE WEATHER EVENTS HAVE BECOME MORE FREQUENT RECENTLY

52% on average believe severe, damaging weather events have grown more frequent.

51% 49% 47% 59%
Risk across industry sectors

The industry that the respondents were associated with influenced what they worried about. For instance, those in manufacturing list medical cost inflation (60%) and cyber risks (60%) as their top concerns. Real estate business leaders view broad economic uncertainty (65%) and legal liability (61%) as their chief threats. The following pages provide more industry-specific details on both general and specific risks, and how industries approach them.

Transportation

Medical cost inflation tops the list of worries by a wide margin (75%). When asked what specifically worries them, risk managers in this industry said they worry about driving accidents caused by their employees (60%), employee injuries (60%), and distracted driving (57%). Employee safety training is widely used (61%) as a prevention measure.

Healthcare

At 71%, medical cost inflation is the top-ranked concern, followed by understanding and complying with U.S. government laws and regulations (68%), and legal liability (65%). These concerns appear to reflect the impact of the Affordable Care Act, along with privacy rules and quality mandates. While 58% cited cyber risks as a concern, only 37% have a plan to respond to an attack or data breach.
Banking and financial services
Cyber risks are the top concern in this sector. Eighty percent (80%) of these business leaders say they are worried about this risk. This is far ahead of the 58% average across all other sectors. The industry has addressed risks with written business continuity plans (78%), data security review procedures (68%), and data breach response plans (63%).

Wholesalers
Medical cost inflation weighs in as the top concern in this sector at 67%. Common risk-prevention measures for wholesalers focus on the safety of their employees and premises, such as having an emergency exit plan (65%), providing employee safety training (65%), and having secure premises (58%). A majority (59%) also review their data security plans and practices.
**Construction**

The most worrisome risks in the construction industry relate to their employees, including attracting and retaining appropriately skilled labor (67%), and employee safety (63%). When asked what specifically concerns them about their skilled labor worries, many said they find it hard to replace retiring baby boomers (57%). Data also showed that the most frequent risk-prevention measures include employee safety training (71%) and secure premises (58%).

**Technology**

Cyber risks and data breaches stand out as the top concern in the technology sector (56%), along with attracting and retaining talent (53%). A deeper dive into the data showed that a key cyber risk concern is the threat of someone gaining access to company bank accounts or financial controls (57%). It also showed that more than half of companies (60%) have a written business continuity plan.
Real estate
With the health of the real estate industry closely tied to the overall economy, the top-scoring general risk for businesses in this sector is broad economic uncertainty (65%). Legal liability is also a fear (61%), as are cyber risks (52%). Despite concern about this risk, few in the industry have taken preventive or mitigating measures, such as a data breach response plan (18%) or employee data protection education and practices (27%).

Manufacturing
Medical cost inflation and cyber risks top the list of concerns (60% each) in this sector. Survey data also showed that manufacturers worry about supply chain risks, such as becoming unable to get materials from suppliers (51%) or becoming unable to get products to customers or end users (50%). Not surprisingly, employee safety training is a priority (77%), and many have written business continuity plans (57%).
Retail

Medical cost inflation and financial issues are the chief concerns (56% each) of those from retail businesses. In the cyber risks category, retailers said they specifically worry about computer virus infections (58%) and system crashes (51%). In terms of workforce issues, the time and cost of training new employees are key concerns for 50% of retailers surveyed. Common risk mitigations include employee safety training (53%) and secure facilities (53%).

Professional services

Cyber risks is the leading general concern in this sector at 67%. Other worries include legal liability (53%) and medical cost inflation (52%). Among specific risks respondents shared were the fear of lawsuits for professional mistakes (55%), computer virus infection (55%), and theft or loss of control of client or customer records (53%). More than half have data security review plans and practices (55%), though only 34% have a data breach response plan.
RISK MANAGEMENT EXPERTISE

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.

WHAT ARE U.S. BUSINESSES DOING TO MANAGE RISK?

Percentage saying their company is doing/has done:

- Have means to reach employees/family in case of extreme emergency: 64%
- Have emergency exit plan: 63%
- Provide employee safety training: 63%
- Have secure premises: 62%
- Review data security plans and practices: 53%
- Have regular plant safety inspections: 51%
- Have a written business continuity plan: 50%
- Prepared for extreme weather/natural disaster: 42%
- Have employee data protection education/practices: 39%
- Have cyber/data breach response plan: 33%

METHODOLOGY

From February 18 to March 4, 2015, Hart Research Associates conducted the second annual Travelers Business Risk Index to identify employers’ perceived risks to their businesses, and the strategies and tools they use to mitigate risk. The 2015 survey involved a total of 1,210 business risk managers. The survey was commissioned by Travelers. The statistical margin of sampling error for the survey as a whole is ±3.0 percentage points, and higher for smaller subsets of the total sample. 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.

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 $27 billion in 2014. For more information, visit travelers.com.