



Small Businesses

**Beware
of these
Top 10 Risks**

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You may be running a small business, but that doesn't mean your risks are small. Even if you only have a few employees – or possibly none at all – your business still faces considerable exposures. And if you're already operating on thin profit margins, as many small businesses do, one accident or lawsuit could push your company into the red.

Protect your business by controlling the top 10 risks for small business.



1 | Automobile Crashes

In 2023, there were approximately 6.14 million police-reported motor vehicle crashes, according to the National Highway Traffic Safety Administration, an increase of 3.5% compared to 2022. Of these, 37,654 were fatal crashes and 1,697,252 were non-fatal injury crashes.

If you or one of your drivers contributes to a crash, your business could be held liable. Keep in mind that some people may be tempted to go after the supposedly deep pockets of a business with a big lawsuit – even if the vehicle involved in the crash isn't actually owned by your company.

PRO TIP  *If you or your employees drive in the course of work, carry commercial auto insurance.*



2 | Property Damage

Whether you rent or own, if your business has property, your business also has property damage risks. A fire can destroy your business overnight. Storms and break-ins can also cause significant damage, both to the building and to the contents inside.

PRO TIP  *Property insurance covers damage to your buildings you own as well as the inventory, equipment, electronics and other valuables inside the building. Be sure your limits are high enough to replace the items inside, if needed.*

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3 | Damage and Loss During Transport or Storage

A piece of construction equipment is damaged while being towed to a worksite. A valuable piece of art burns in a fire at a local gallery. These are just two examples of the countless things that can go wrong when valuables and assets leave your premises.

If your company ships goods to clients or business partners, transports equipment, inventory or other valuables, or utilizes offsite storage, talk to your agent about the insurance implications.

PRO TIP ➔ *Ask your agent if you need inland marine insurance, which covers property in transit.*



4 | Business Interruption

As the owner of a small business, you work hard every day to keep your business afloat. Unfortunately, sometimes a strong work ethic isn't enough. Many events can prevent a company from operating as normal. A hurricane could hit. A wildfire could prompt evacuations in the area. A broken pipe could flood the building. A computer virus could shut down the computer systems.

Until the problem is fixed, your company can't get back to business – which means you can't make money. Business interruption is a serious threat to small businesses.

PRO TIP ➔ *Many business insurance packages include business interruption coverage. Ask your agent if you have this protection and if not, you may want to add it.*

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5 | Liability

Depending on the type of business you operate, you could face two types of liability – general liability, which occurs when your actions or negligence damage others’ property or cause personal harm – and/or – professional liability which occurs when your services result in financial harm to someone else.


- If you go to others’ property to perform service, you can potentially cause property damage. For example, a plumber could inadvertently damage the tile flooring in a client’s bathroom.
- Likewise, if you open your doors to the public and someone is hurt on your property, you could be sued for failing to take reasonable care to keep them safe. Slips, trips and falls are common commercial liability scenarios.
- If your services cause personal harm, you could face a professional liability lawsuit. For example, if a hair stylist uses a product improperly and burns a client’s scalp, a professional liability scenario could result. This can also occur if a consultant gives bad advice that results in financial loss for a client.

PRO TIP  *Talk to your agent to understand and insure against your liability exposures. Often, industry-specialized liability insurance packages are available.*



6 | Employee Illness and Injury

In every industry, employees can get hurt during the course and scope of employment. For example, contractors fall off roofs, office workers develop carpal tunnel and tile installers can develop silicosis. In most states, workers’ compensation insurance is required. This coverage pays an ill or injured worker’s medical costs as well as temporary and permanent disability costs.

PRO TIP  *Carefully train your workers, provide protective equipment and maintain a safe workplace. By preventing claims, you can keep your workers’ compensation insurance costs lower.*

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7 | Harassment and Discrimination

Businessowners may be sued by their employees over allegations of harassment or discrimination – and the risk may be greater than ever. The U.S. Equal Employment Opportunity Commission (EEOC) reported an increase in sexual harassment lawsuits after the #MeToo movement. More recently, a U.S. Supreme Court ruling has made it easier for individuals from majority backgrounds to pursue claims of “reverse discrimination.”

EEOC requirements depend on the size of the business. However, if you have any employees, you are required to provide equal pay to male and female employees for equal work.

Claims of discrimination and harassment may also come from customers. If you or one of your workers treats a customer in a way that could be interpreted as unfair or inappropriate, your company’s reputation could be on the line. You could even face a lawsuit.

PRO TIP ➔ *Consider an Employment Practices Liability insurance policy. This insurance will pay for your defense up to the policy limits if an employee sues you for harassment.*



8 | Worker Misclassification

Small businesses may try to sidestep payroll taxes, workers’ compensation insurance and other expenses by using independent contractors instead of employees to power their businesses. However, worker classification laws are becoming stricter and lawsuits are on the rise.

On the state level, California has led the way with AB5 and AB 2257, creating new requirements for companies that classify workers as independent contractors. On the federal level, a new Final Rule that into effect in 2024 created a new analysis to determine whether a worker is an employee or independent contractor.

PRO TIP ➔ *Employment practices liability insurance policies often do not include coverage for worker misclassification. This is a risk you may not be able to insure against, so consult with your accountant and legal counsel to ensure you comply with applicable laws.*

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9 | Pollution Liability

With increasing environmental legislation, pollution liability is a growing concern. Businesses must follow strict federal and local regulations to dispose of waste properly and to prevent pollution. However, accidents happen, and environmental exposures can result. A chemical could leak. Mold could grow. Toxins could seep into the ground water. Any contractor can inadvertently uncover or disturb oil tanks, lead, asbestos and other contaminants. If something goes wrong, the legal and cleanup costs can be very expensive. Even small businesses must consider pollution risks.



If you are a contractor, a manufacturer, or if your job involves the handling or disposal of toxins, ask your agent about pollution liability insurance.



10 | Cyberattacks

If your company uses computer systems to maintain records, schedule appointments, handle payments or contact customers, you have cyber risks. In other words, almost EVERY business has cyber risk and threat is growing every day. Cyberattacks can include ransomware and other malware, data breaches, and phishing schemes.

Hackers don't just go after large companies. Small businesses are also vulnerable to cyberattacks, and they may have a harder time recovering from the financial consequences. According to Astra, 43% of cyberattacks target small businesses, and small and medium-sized businesses lose an average of \$25,000 to cyberattacks.



Many breaches are caused by employee mistakes. Vigilantly train your team and communicate about this risk frequently. Also, consider purchasing cyber liability insurance – especially if you collect and store sensitive personal data or operate in the health care industry.

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