

Effective risk management strategies for small business

Managing the risks that can harm a business is more than just prudence — it can be a key to continued success.

As a small-business owner, you face risks that other business segments don't have to consider. This report outlines some key risks that are specific to small business, as well as some solutions to consider. On the back, you'll find a short questionnaire designed to reveal areas in which your business may be exposed.

Essential protection

Small-business owners are generally well aware of the need for property and liability insurance.

Not all coverage is created equal, and a generic policy may not cover your business- or industry-specific risks. For example, your property insurance would probably cover damage to your building and its contents if there were a fire. But what if your business had to shut down while repairs were made? With a disruption in cash flow, you might have difficulty meeting payments to suppliers, and the disruption might cost you potential customers.

For your liability coverage, you may have protection if a visitor suffers an injury at

your location, but would you have protection if someone was hurt while using your product and decided to sue you?

A business owner's insurance policy that combines coverage for liability, property, crime and business interruption is an affordable solution for many small-business owners. Every small business is unique, however, so it's essential to tailor your coverage for your operations.

If you have business-use vehicles...

A commercial auto policy will provide protection for vehicles that are owned and operated primarily for business purposes. It is important to speak to your insurance advisor to ensure you have the appropriate coverage in place in the event of an accident.

Protect the contributions made by key talent

Many small businesses owe much of their success to their founder(s) or owner(s). The temporary or permanent absence of such a key contributor could disrupt operations and cause serious financial damage.



You may already have key-person insurance to help protect against this risk. Key person insurance can provide the money you need to keep your business operating should you, your partner or another key employee suffer an illness, accident or death.

Be careful, however, not to overlook the contributions of others on your team, such as the salesperson who brings in a high percentage of business or a new

employee who has important connections to growth opportunities. Make sure all of your key people are covered.

Use benefits to attract and retain talent

As a small-business owner, you can rely on your company's culture, fairness and flexibility to help attract and retain good people. But talent is always at a premium, and you may be able to make your

business even more attractive with traditional enhancements such as benefits coverage.

Group health insurance may be just the competitive edge you need. By reimbursing certain health-related expenses and providing financial protection in the event of illness, disability and death, you can provide your employees valuable security and peace of mind in an often uncertain world.

Are you at risk?

Take this quick self-assessment to find out whether your small business is adequately protected from the unexpected.

1. If a fire or flood forced you to shut down for a few days, would you have difficulty covering payroll and other regular expenses?
 Yes No
2. Do you have employees who work at your business location?
 Yes No
3. Are your premises regularly visited by customers or suppliers?
 Yes No
4. Does the success of your business rest largely on the knowledge and expertise of one or two people?
 Yes No
5. Do you own a vehicle for your business or sometimes use your own vehicle for business purposes?
 Yes No
6. Do you have difficulty attracting or keeping employees because you don't offer a competitive benefits package?
 Yes No

If you answered yes to any of these questions, your business may be at risk. Ask your RBC Royal Bank® business account manager for general insurance advice, as well as a complimentary copy of the *Managing Risk for Business* guide. This guide discusses nine key risks that are common to many operations and is a great place to begin the risk-assessment process.

Keep in mind that the list above is not exhaustive. There may be other risks specific to your situation. In addition, new risks can arise over time – that's why it's a good idea to include a risk assessment as part of your annual business financial review.



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