



The **Evolving Risks** Of Small Businesses

2024 REPORT

boldpenguin.com



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THE EVOLVING RISKS OF SMALL BUSINESSES

Introduction

Introduction

Bold Penguin is thrilled to present this insights report, *The Evolving Risks Of Small Businesses*, crafted to help insurance agents navigate the demands of commercial insurance and add to the value you bring to your customers.

Throughout the first half of 2024, we highlighted timely topics that discussed the emerging trends of various risks to help agents ensure that small to medium-sized business (SMB) owners' investments are fully protected.

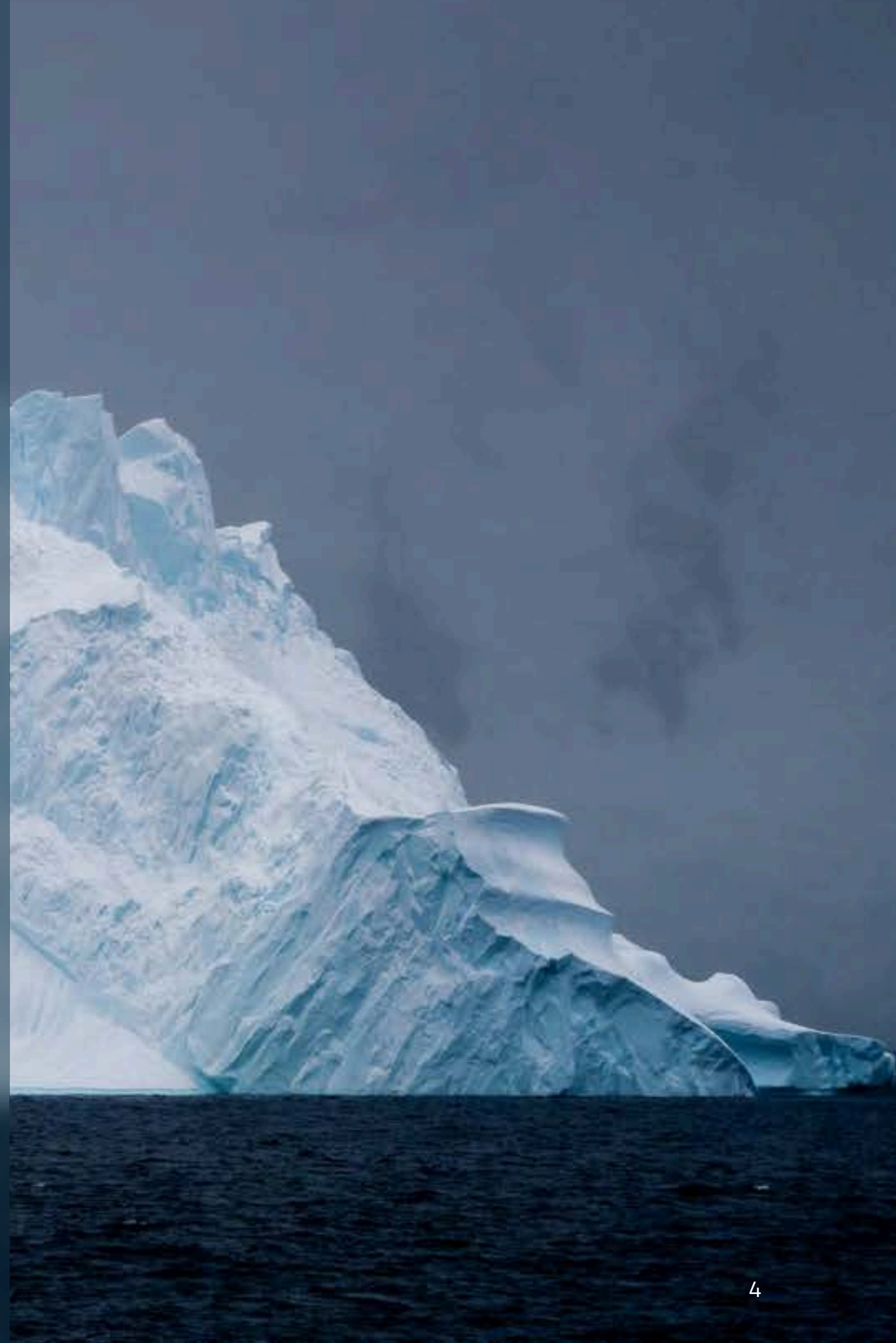
We understand that being a trusted advisor to business owners is a role you don't take lightly. Understanding and addressing a business' unique needs around risk management is where agents bring real value to their customers. *The Evolving Risks Of Small Businesses* series delves into the most common and specialty risks.

The posts cover the most commonly needed insurance policies, including general liability and workers' compensation. They also dive into emerging coverages that protect against unique risks, such as cyber, flood, and E&S. In each installment we provide a brief overview of the insurance coverage, why it's an invaluable risk mitigation tool, recent noteworthy trends, and tips on navigating it.

We want to thank our many national and specialty carrier partners who have contributed subject matter expertise to the series, providing invaluable insight.

We are your partner in this journey. We hope that *The Evolving Risks Of Small Businesses* cumulative report will help you as we move forward together.

Be **Bold**.



General tips

01 Conduct regular reviews and assessments

Make time to regularly assess your customers' unique risk profiles and vulnerabilities. Verify the current nature of their operations and update their policies accordingly, which might require in-person assessments or thoroughly researching their web presence. When assessing, consider factors like current property valuation, total business assets, changing governmental regulations, and expanded offerings, to name a few, and adjust coverages as needed. Taking the time to do this initially and continually will help avoid any costly misclassifications.

02 Communicate effectively and be accessible

As a trusted advisor, take the time to knowledge share – break down complex concepts, demystify costs, and identify cost-saving opportunities like bundling. Sharing real-life scenarios and highlighting industry trends will help foster long-lasting relationships. Talk customers through the quote, bind, and renewal processes, and answer any questions they might have concisely and quickly. Successful agent/customer interaction is based on credible, effective communication.

03 Tailor coverage for unique risk profiles

Not all businesses are the same, so it follows that not all risks are the same. As industries evolve, so do the specific corresponding risks of your customers' business operations. Each of those unique risks requires a customized approach to mitigation.

04 Compare multiple quotes

Just as not all businesses or risks are the same, neither are the coverages. Agents need to quote policies with confidence that what is being presented is the best possible solution to ensure investments are protected. So shop around. Don't just consider cost, but also the coverage details and additional services offered from a variety of quotes, and take the time to compare what each policy has to offer. Evaluate if quoted coverage includes all of the potential losses, limitations, and exclusions in the case of a claim.

General tips (continued)

05 Understand policy coverage & coverage gaps

Carefully review the limitations and terms offered by different policies. Clearly define the scope of coverage and be transparent regarding what is and what is NOT covered. Ensure that the bound policy aligns with your customers' risk management needs and that the limits are appropriate for their size and type of business.

06 Educate yourself and stay current

Commercial insurance can be complicated due in part to legal developments related to business practices, consumer rights, and workplace safety, which are frequently subject to change. Keeping abreast of these changes helps you advise SMBs on how to stay protected and avoid potential liabilities. Even experienced agents benefit from the many great continuing education opportunities that are available, so lean on them to keep current.

07 Stay ahead of the curve

As insurance agents, being prepared and proactive is crucial. Prepare months ahead for certain coverage needs, such as for flood season, or anticipate remarketing challenges due to carriers' appetite changes.

08 Encourage proactive risk mitigation

Guide your clients with tips and strategies to prevent claims. Emphasize consistent training for all employees on safe and smart business practices. The more proactive your clients are in risk management, the more effective their insurance coverage will be if an incident occurs. These same principles are true for all types, i.e., for standard commercial business insurance, like workers' compensation and general liability coverages, as well as specialty coverage like cyber insurance. In some cases, the insured will receive better rates if carriers see evidence of proactive measures, like incident response plans.

09 Lean on the carriers

Carriers have a library of resources on best practices for small business risk mitigation. These can be shared with your customers or used for your own edification. Additionally, when you have a good relationship with carriers, it helps you forecast remarketing needs and makes renewals become a smoother process for everyone.

10 Collaborate with other professionals

Educate SMBs on the value of working with subject matter experts so they can get back to what they do best. This could mean working with a financial professional to showcase financial strength in order to obtain more favorable bond terms; or working with a cybersecurity expert to navigate cyber threats. After all, SMBs don't know what they don't know – so encourage collaboration with the experts that do!

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THE EVOLVING RISKS OF SMALL BUSINESSES

Cyber risk

Evolving cyber risk management needs of small businesses

Contributed by *Nicole Farley*, Vice President of Carrier Operations at *Bold Penguin*.

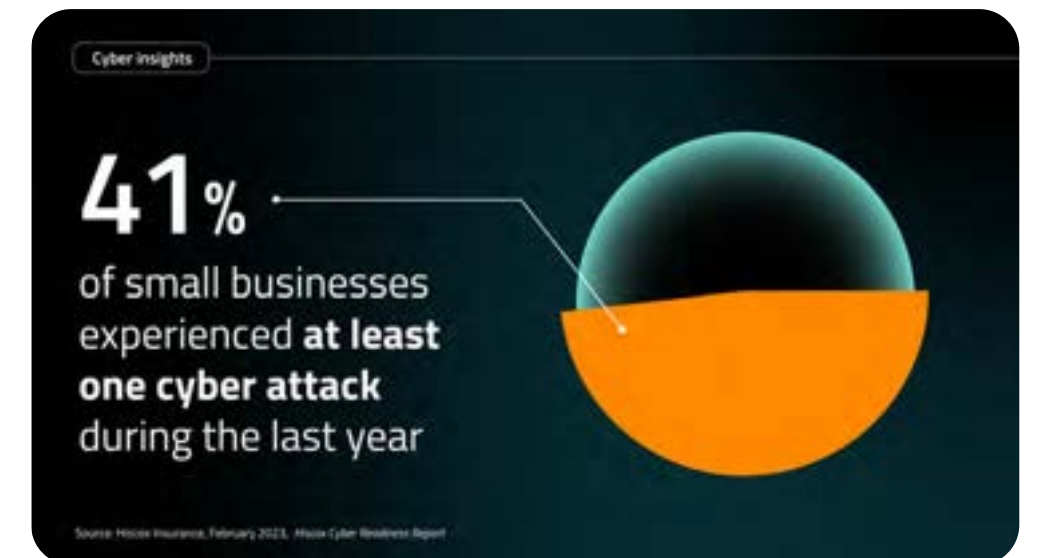
Cyber risk management is top of mind for everyone in our space – it certainly is for Bold Penguin and our carrier partners, and it should be top of mind for your customers too.

A cyberattack is an “attempt to steal, expose, alter, disable, or destroy information through unauthorized access to computer systems.” The prevalence of cyber risks is rising as businesses become increasingly more digital. However, small business owners may not be cognizant of this risk or the financial and reputational consequences of an attack until it’s too late. According to the Hiscox Cyber Readiness Report, “41% of small businesses experienced at least one cyber attack during the last year. The median cost of cyber attacks for one small business in a year is \$8,300.”

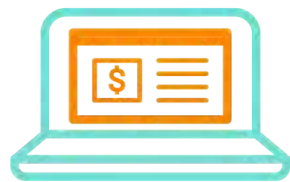
No small business is immune to the emerging threat of cyber risk.

Madison Williamson, Senior Insurance Product Manager at *At-Bay* stated, “As all businesses are forced into the digital world it is no surprise that small businesses are sometimes ill-equipped to recognize the risks or react with the necessary speed to rectify errors or attacks. If an insured feels cyber insurance is not relevant to their business, agents should have insureds consider what impact days, if not weeks, with no access to their digital files would have on their top and bottom line. Additionally, what would clients or customers think if their information were stolen or if fraudulent invoices were distributed resulting in unpaid work?”

Williamson continued, **“While it can be tempting for small businesses to eschew the risk of cyber attacks, it is vital for business owners to carefully consider not just the financial impact of lost sales and profits but also the reputational impact of being considered not secure by customers.”**



Understand the cyber risk management landscape to identify weaknesses



To effectively advise on cyber risk management, a key first step is understanding the landscape of cyber insurance and its potential cost on small businesses.

Cyber attacks include, but are not limited to, ransomware, phishing schemes, and supply chain vulnerability attacks. The types of cyber attacks and the associated technologies that cyber pirates use are quickly evolving and dynamic. For this reason, small businesses can be an easy target for cyber hackers, sometimes with devastating effects.



Small businesses usually don't have the luxury of dedicated, trained resources to address cybersecurity weaknesses or to rebuild systems.

Hackers target smaller businesses because they typically focus less on cyber risk management and weaker security than enterprise corporations. Agents must remember this when helping SMBs find comprehensive coverages to address these weaknesses.



It's important to stress that risk can be mitigated, not eliminated, by "implementing strong internal controls & procedures, maintaining security controls, and proactive action," according to Chris Hojnowski, Vice President, Technology and Cyber Practice Leader with [Hiscox USA](#).

"Where there are humans, there's vulnerability to cyber attacks. And where there is any kind of sensitive or valuable data, such as customer information, there's a target for bad actors. [All of these forms of] Attacks are made possible by human error, such as clicking a link in a phishing email, missing a security, or not using a secure enough password."

30%

According to Mathew Probolus, Chief Underwriting Officer at [Berkley Management Protection](#), "Small businesses are frequent targets of cyber attacks. A [recent report](#) found that in the last year 32% of small businesses reported that they dealt with a phishing email or attack. 30% of small businesses reported that they also dealt with a computer virus."

[CONTINUE READING](#) 

Learn how to: tailor cyber risk coverage through thorough assessments; educate customers on coverage needs; implement risk mitigation strategies; stay informed about regulatory changes; and more.

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THE EVOLVING RISKS OF SMALL BUSINESSES

Flood

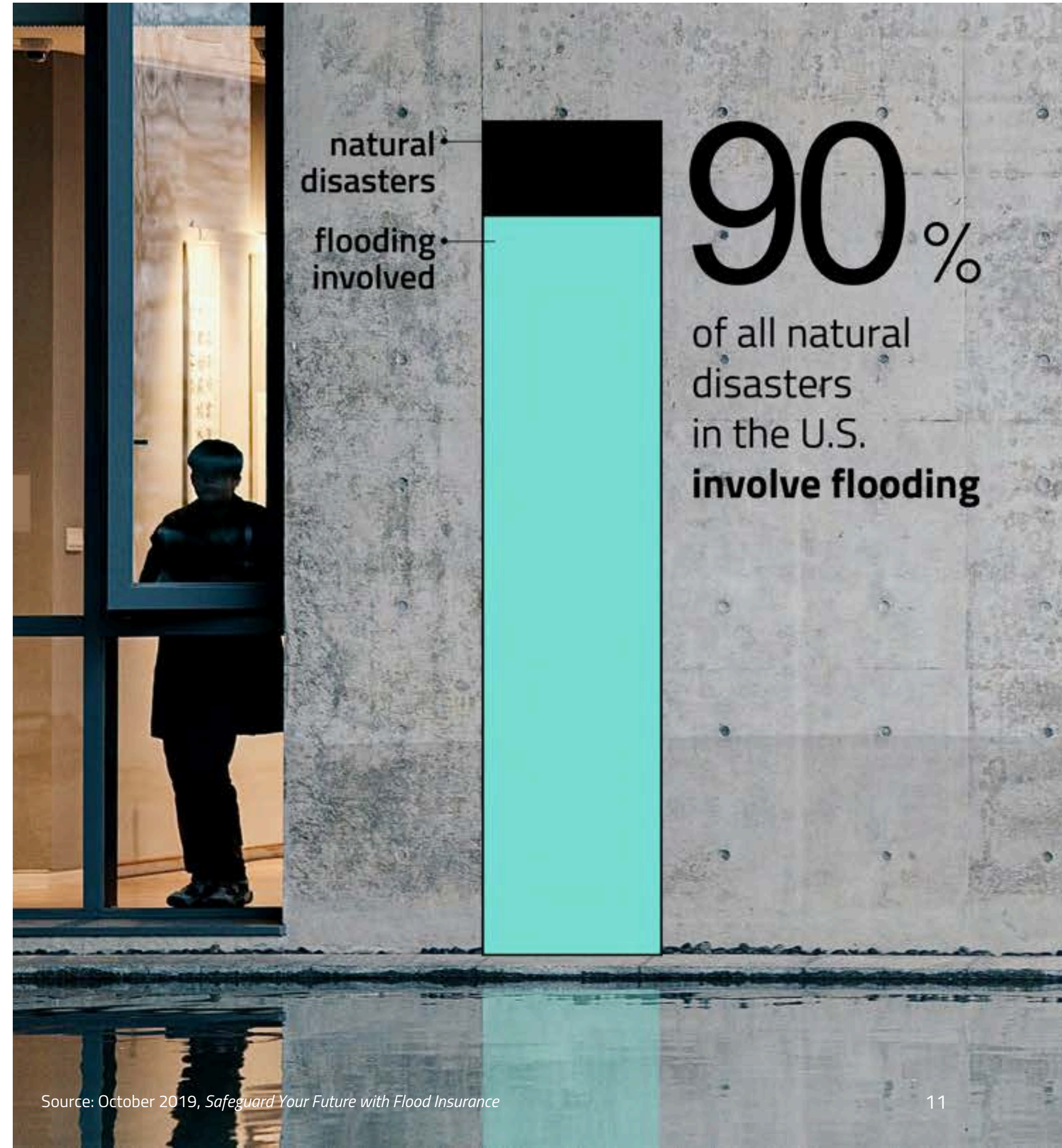
Evolving flood insurance coverage needs of small businesses

Contributed by *Chris Kessler*, Vice President of Corporate Development at *Bold Penguin*.

Flood insurance is an increasingly important coverage line for small and medium-sized businesses (SMBs), but unfortunately it is often off their radar (until it may be too late).

As insurance agents, you have an obligation to educate your customers on the “what,” the “why,” and the “how” of seeking and evaluating available flood coverage options.

This also represents an opportunity to provide personalized advice and expand your role as a partner in their success, and not just a service provider.



natural disasters

flooding involved

90%

of all natural disasters in the U.S. involve flooding

Flood risks & the rising tides of flood insurance coverage

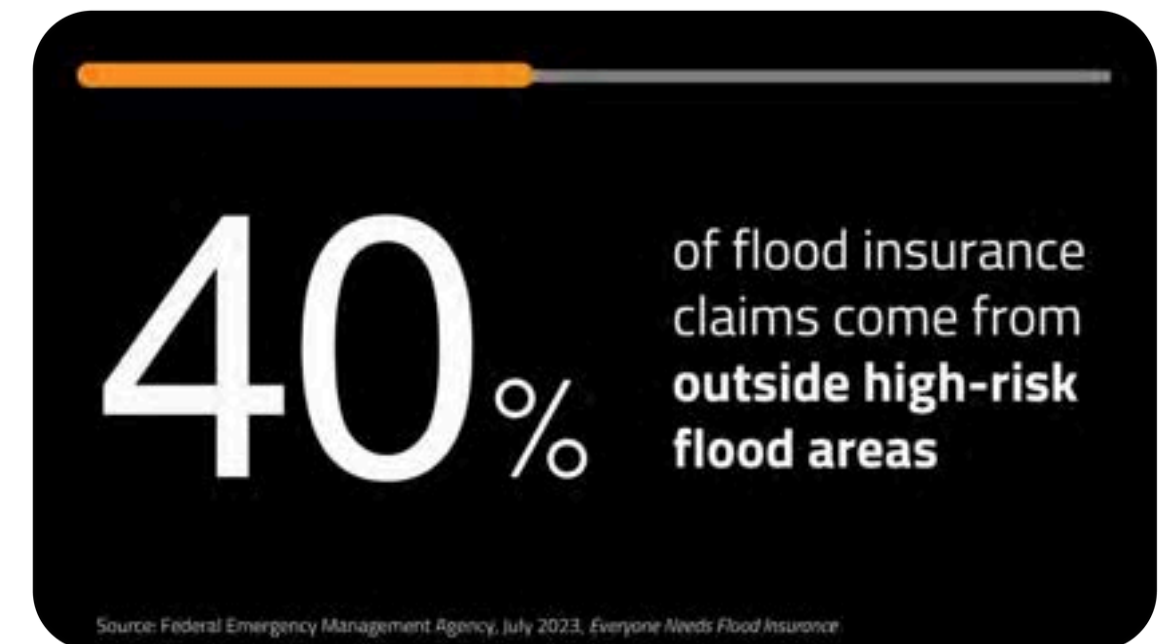
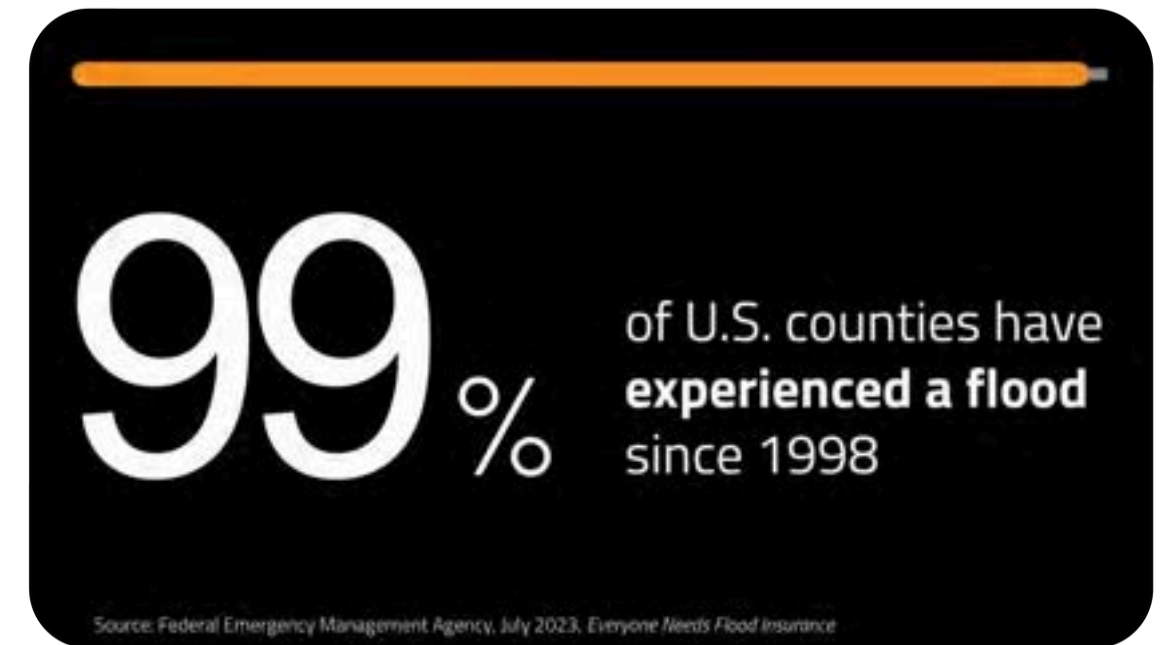
According to a recent article by the Insurance Information Institute, “Flooding is the most common and costly natural disaster in the United States, causing billions in economic losses each year. According to the National Flood Insurance Program (NFIP), 90 percent of all natural disasters in the United States involve flooding.”

According to the Federal Emergency Management Agency (FEMA), just a few inches of flooding can cause thousands of dollars of damage. Furthermore, “Ninety-nine percent of U.S. counties have experienced a flood since 1998, and over 40% of flood insurance claims come from outside high-risk flood areas,” according to a 2023 FEMA Fact Sheet. The deeper the flood water, the higher the repair cost. Without flood insurance coverage, most business owners would have to pay these costs out-of-pocket.

If there is rain in your community, there is the risk of flooding - it’s that pervasive. SMBs are not immune to natural disasters. A small business owner’s dream venture can be washed away, taking a financial – not to mention mental – toll on the business owner. The eradication of a community’s small businesses can have a devastating, rippling impact. It’s obvious that the risk is real. So now what?

It’s up to commercial agents to educate SMBs on these risks to close the educational gap regarding the need for flood insurance coverage. In a recent interview with Gabby Grodman, Inside Distribution Representative at Neptune Flood Insurance, she advised, “Communicating the value of flood insurance is a huge opportunity for all agents. The majority of insureds are unaware that their standard insurance policy does not include flood coverage. The best practice is to make your insured is aware of this gap in coverage and offer a flood quote with every stand-alone policy.”

According to a 2018 FEMA press release, “About 25 percent of businesses do not reopen after [natural] disasters. Having an emergency disaster plan and a continuity operations plan in place can reduce that risk and help the business recover faster.” As an agent, exploring the breadth of offerings from flood carriers can enable your SMB with access to extension risk mitigation and recovery process planning programs which quickly get them operational again in the event a disaster should occur.



Climate change & the hard market



The frequency and severity of heavy rainfall events has increased by 30% in the last century. A study originally published by Nature Climate Change and recently summarized in the *Washington Post*, states, "Climate change will cause the nation's flooding losses to jump more than 26 percent over the next three decades." Grodman further explains,

"As awareness of climate change and its impacts on weather increases, so does the need for comprehensive insurance. The news and media coverage of extreme losses after severe weather events has had a profound impact on small business owners by allowing them to truly see what can become of their business due to a flood."



The increase in floods and natural disasters is also contributing to the hard insurance markets we are experiencing today. According to the Council on Foreign Relations, "Accelerating risks and damage from climate change are spurring private insurers in the United States to limit coverage in a growing number of areas." It's becoming increasingly likely that these trends will continue. By incorporating climate-related talking points into your flood insurance coverage discussions with SMBs, you're providing them tools to make informed decisions about the unpredictable forces of nature.



Many SMBs assume flood insurance coverage is included in their existing policy, **without educating themselves on what additional flood coverage is needed and available** either from the National Flood Insurance Program (NFIP) or a private insurer. The Insurance Information Institute (III) states, "There is no coverage for flooding in standard homeowner's or renter's policies or in most commercial property insurance policies."

Future of flood insurance

There's reason to be hopeful that innovations in the parametric flood insurance space will help fill some flood coverage gaps in the U.S. in the coming years. Flood risk is difficult to price for carriers, so what follows oftentimes is a coverage gap. New tech tools are being developed to improve the accuracy of underwriting data for conventional insurers, which could ultimately help expand access to parametric flood insurance to even the smallest businesses.

Continue reading about best practices for advising on flood risk coverage. Tips include when and how to: educate yourself on different coverage options; advise on the National Flood Insurance Program (NFIP) vs private insurers; prepare for hurricane season; reassess flood coverage needs; and more.

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THE EVOLVING RISKS OF SMALL BUSINESSES

General liability

Evolving general liability insurance needs for business

Contributed by Nicole Farley, Vice President of Carrier Operations at Bold Penguin.

General liability (GL) insurance for business, sometimes called “business liability” or “commercial general liability,” protects against a range of threats that could negatively impact a business’ financial health and viability.

According to the Insurance Information Institute, “A Commercial General Liability (CGL) policy protects your business from financial loss should you be liable for property damage or personal and advertising injury caused by your services, business operations or your employees.” In simple terms, general liability refers to claims that a business has caused harm to another party.



90% of all businesses **experience a lawsuit** at some point in their lifespan

Source: The Zebra, June 2021, *Small Business Statistics*

General liability insurance represents growth opportunities for agents

A 2023 survey conducted by NEXT insurance discovered that while GL is the most common type of insurance policy purchased, approximately 50% of respondents did not have any GL coverage at all.

It's not clear *why* that 50% do not have this coverage, but it is clear that this makes them extremely vulnerable to loss. This represents an educational opportunity for agents, as trusted advisors to small and medium-sized businesses (SMBs), to make them aware of how general liability insurance for business can help them and why it's needed to protect their investments.

During a recent interview with Evan Paul, Commercial Lines Underwriting Manager for Westfield, he stated, "Insurance is commonly perceived by business owners as a safety net reserved for major catastrophes. The reality is that the majority of GL claims are relatively small in scale."

Becky Monfre, Vice President of Digital Distribution for Coterie Insurance, adds another distinction that agents should be sure to highlight. "We often observe our clients looking for business insurance or liability insurance while not understanding that the intent of this coverage is to cover third-party claims for bodily injury and property damage caused to others."

General liability insurance for business covers a lot, but it is just as important to understand and explain to business owners what it doesn't cover. Agents are cautioned to look for exclusions such as business-related auto accidents, employee injuries/illnesses, damage to the business property, mistakes in professional services, or illegal acts by the business owner or their employees, to name a few.

GL usually is not required by law. However, some states include general liability insurance for business in their licensing requirements for construction contractors or developers. It's important to understand the unique needs of each of your commercial customers to advise them on the right protection. You should review with your customers their contracts, loan documents, and other documents that outline required insurance coverages and limits that they will need.

50%

Approximately 50% of surveyed business owners **do not have general liability insurance**



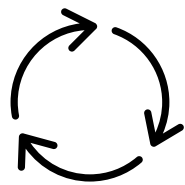
Source: NEXT insurance, March 2023, *NEXT Insurance Survey*

Factors that shift the landscape of general liability insurance



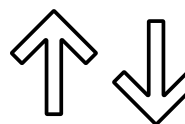
We live in a litigious society

Customers, employees, and other stakeholders are turning to legal action quicker than ever before, even for minor issues.



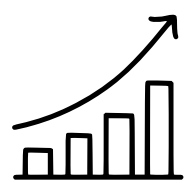
Evolving laws and regulations

The evolution of GL risk is driven largely by the shift in laws and regulations related to business practices, consumer rights, and workplace safety, which are frequently subject to change.



Consumer expectations are higher with lower customer satisfaction

Commercial businesses are expected to uphold increasingly high standards in quality of products and services, and overall customer satisfaction. Reputations also can be tarnished easily with the prevalence of social media.



An increase in unique exposures

As new industries emerge and traditional industries evolve, so do their corresponding risks. And each of those new risks requires a customized approach to mitigation. Just as GL risks don't look the same as they did 10, 20, or 50 years ago, they will not look the same in the future.

Recent claims patterns in general liability insurance

Becky Monfre states, "In the small business sector we continuously see claims for quality of work, such as walking off the job, a job poorly done, etc. These losses are typically not covered. If you are a small business asking another business to do work for you, the best thing you can do is do a deep dive on the contractor and make sure they are reputable, insured, and have a contract that clearly outlines the work in place." When choosing a subcontractor, prioritize years in business and whether they are disciplined in the types of jobs they are willing to accept.

Monfre continued, "[Another] pattern [we] have seen in the past is that insureds often think the issue was not them, or will go away if they are seeing a customer complaint. We would rather our insureds call and inform of a potential claim so we can advise and get involved on day one, rather than after the fact."

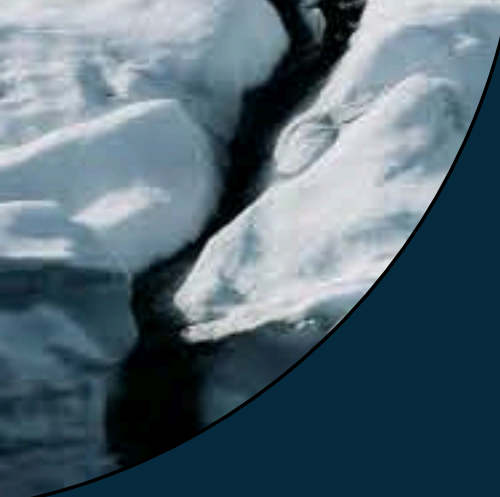
Continue reading for predictions for GL's future as well as tips for: advising on practices to mitigate litigation; keeping abreast of legal developments; reducing the risk of claims from dissatisfied customers; and customizing quotes to fit unique risk profiles.

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THE EVOLVING RISKS OF SMALL BUSINESSES

Surety bonds



The evolving surety bonds needs of small businesses

Contributed by *Karnina Szymanski*, Chief Customer Officer at *Bold Penguin*.

The Surety and Fidelity Association of America states,

“No other risk management product provides the comprehensive protection that surety bonds provide. Bonds serve as a critical risk management and public policy function, protecting small businesses, workers, and taxpayers, creating economic growth, and enabling innovation.”

What are surety bonds and who needs them?

Surety bonds are risk management tools that help guarantee that contractual obligations will be fulfilled.

According to the Insurance Training Center, “A surety bond guarantees performance as contracted or provides security. The bond doesn’t protect the buyer of the bond but rather a third party who is at risk of experiencing a loss.”

A variety of businesses and individuals, including construction companies, service providers, retailers, government agencies and contractors, and more, use the two general categories of surety bonds: “contract” and “commercial” (with subcategories within each general category).

Joe Perschy, President of Propeller, highlighted the importance of surety bonds in protecting investments and why they are a crucial risk management tool, “Bonds provide financial security, enhance credibility, and create a foundation for trust between the small business and its stakeholders, whether they are clients, suppliers, or government entities. The ability to obtain and fulfill bond requirements is often integral to a small business’s growth and success.”

Because of the financial and reputational role surety bonds play in a business’s success, and the recent increase in their demand, the market is experiencing substantial growth. According to Business Market Insights, “The North America surety market was valued at US\$ 8.57 billion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 6.4% during the forecast period to reach US\$ 13.49 billion by 2027.”



Surety bonds vs. general liability insurance

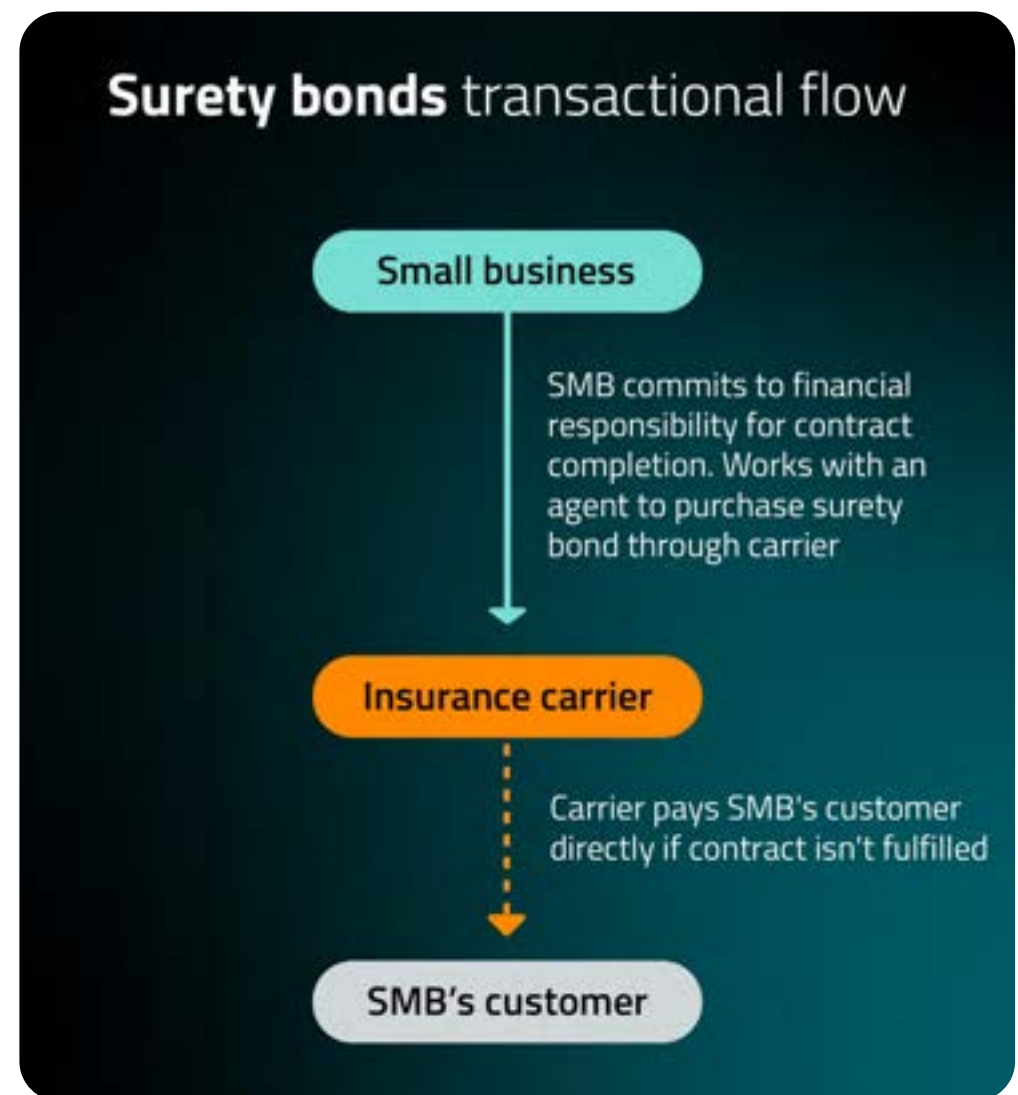
Despite their importance and increased prevalence, surety bonds are often misunderstood. While both general liability (GL) insurance and bonds are risk mitigators that offer financial protection to businesses, they serve different purposes and provide different types of coverage.

One difference is in the number of parties involved. There are three parties involved in surety bonds (the principal, the obligee, and the surety), while in GL there are two parties (the insurer and the insured party). The bond doesn't protect the buyer of the bond (the principal) but rather a third party (the obligee) who is at risk of experiencing a loss. They provide assurance to the obligee (the party requiring the bond) that the principal (the party obtaining the bond) will fulfill their contractual or legal obligations, with the surety (the party issuing the bond) providing financial compensation if the principal fails to do so. For example, a customer files a claim against a contractor for not completing the house addition according to the terms of the contract. The surety company will pay the customer the cost to rehire another contractor to complete the work.

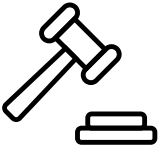
Another key difference is who receives the money if a claim is filed. Surety bonds provide financial compensation to the obligee up to the bonds' face value, or bond amount. Also good to know is that the face value of the bond is a factor in the price of the bond.

General liability insurance compensates and protects the business owner for losses that are covered by the insurance policy. GL covers claims for bodily injury or property damage caused to third parties due to the business's operations, products, or services.

Another key distinction is that GL insurance premiums are based on risk assessment. The cost of a surety bond is based on other variables such as the policyholders': location, i.e., economically stable regions are more favorable; type of industry, i.e., industries with stable cash flows and low risk gain are more favorable; and credit rating, profitability, and overall financial stability, i.e., stronger is better. The size of the business might also affect the surety bond terms, as larger businesses with more assets might appear less risky to bond investors.



Recent trends in surety bonds



Regulatory changes bring increased demand

Several recently passed federal statutes that typically require bonding and insurance for contractors will contribute to the increased demand for surety bonds.



Increased access to surety bonds for contractors

And while a wide range of SMBs in various industries (retail, manufacturing, etc.) benefit from these trends, perhaps they are most beneficial for trade professionals such as contractors, who are often required to submit proof of bond purchase for a permit or per contract terms in order to bid on construction projects and ensure project completion.

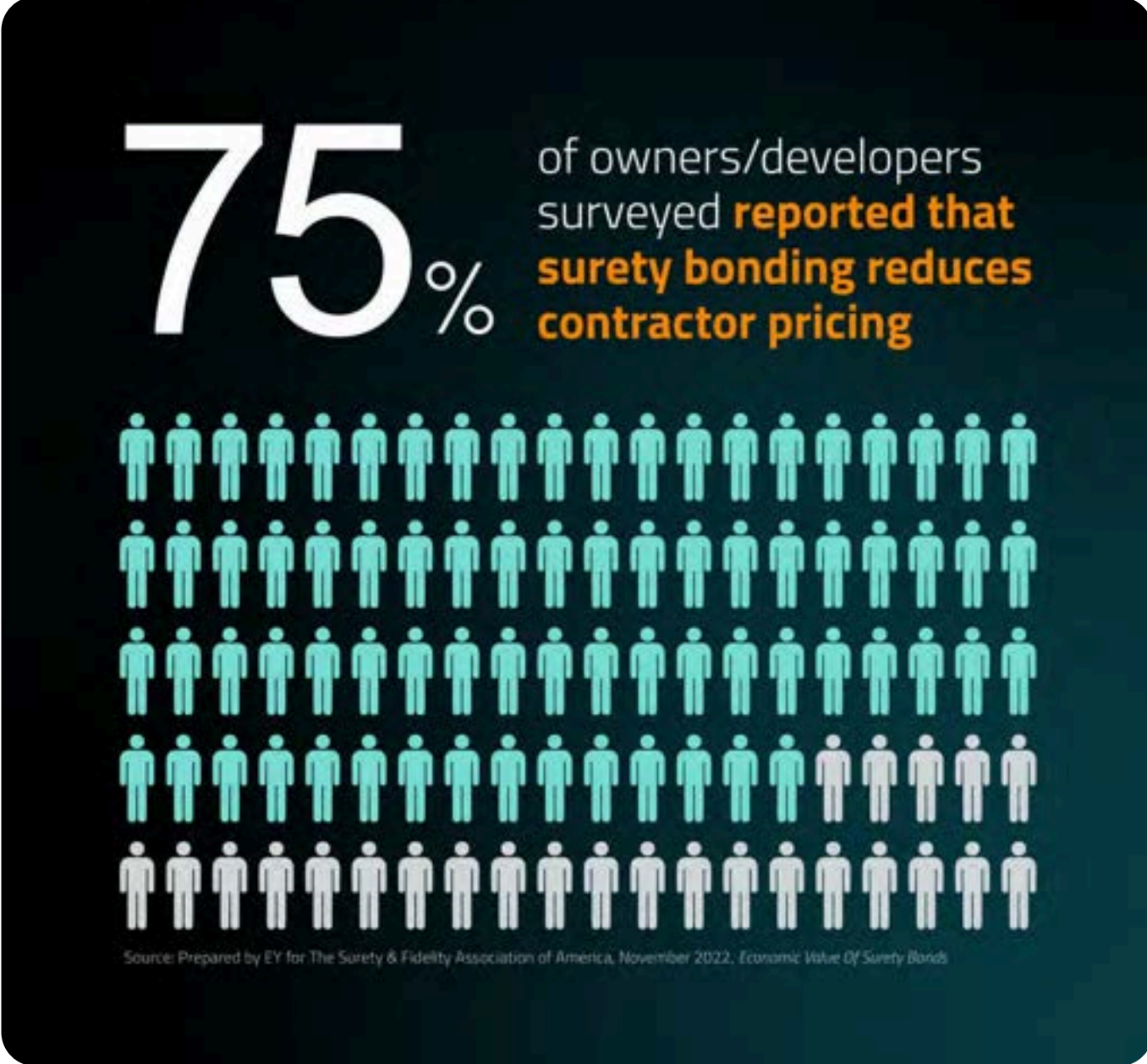


Insurtech brings innovations

Taylor Rutledge, Chief Growth Officer of Propeller, says, "It used to be that small businesses were subject to substantially the same procedures to apply for bonds as larger companies. However, most surety companies are now eager to solicit those [smaller companies'] risks to balance out the larger, potentially catastrophic risks they assume on larger companies." Additionally, technology has made the application process more efficient.

Learn how to offer personalized guidance when advising on bonds and leverage them as a cross-selling opportunity. Tips will include best practices on staying abreast of industry trends and dispelling misconceptions about bonds.

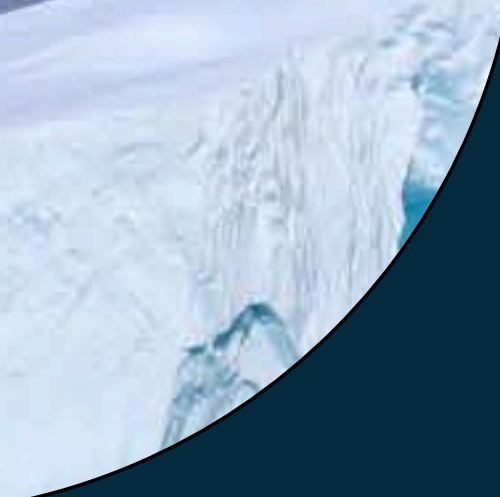
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**THE EVOLVING RISKS
OF SMALL BUSINESSES**

Excess & surplus



The evolving excess & surplus needs of small businesses

Contributed by *Chris Kessler*, Vice President of Corporate Development at *Bold Penguin*.

What is excess & surplus insurance?

E&S is a special type of high-risk insurance that covers unique or risky situations that standard insurance won't touch.

According to the [International Risk Management Institute](#), "Excess and surplus lines insurance is any type of coverage that cannot be placed with an insurer admitted to do business in a certain jurisdiction."

According to [Ralph Blust](#), CRO and President of [Pathpoint](#), "Depending on the particulars of any risk, the E&S market might be the only way to secure adequate coverage. This can include businesses operating in niche industries, those with unusual or high-risk operations, or those located in areas prone to natural disasters."

What's the difference between E&S high-risk insurance and standard admitted coverage?

The main difference between E&S non-admitted insurance and standard admitted insurance is "that state-guaranteed funds do not protect E&S clients' policies, but they do protect admitted policies. If an admitted carrier goes insolvent, a state guarantee fund will step in, but there is no governmental backstop if an E&S carrier faces insolvency," continued Blust.

That risk of insolvency sounds more perilous than it is. When advising clients on E&S coverage, it's important to understand these industry nuances and address these differences (and misconceptions).

Importantly, all businesses must seek coverage from the admitted markets before moving to the non-admitted market. When an admitted market declines coverage, this is considered a "declination." All states have a requirement on the number of declinations you must receive before you may start shopping in the non-admitted space, with the majority of states requiring three declinations. For select industry classes, coverage types, and locations, agents can proceed directly to the E&S markets without gathering declinations.



"It's important to remember that E&S is still regulated."

Insurers must meet specific financial criteria and licensing requirements set by the National Association of Insurance Commissioners to underwrite surplus lines policies."

Ralph Blust
CRO and President
Pathpoint

Recent growth of the E&S market

In a recent interview with Mark Schauss, Executive Underwriting Officer, Small Commercial, for Markel, he summarized that, "The most significant trend in the E&S insurance landscape is the continued growth of the E&S marketplace itself."

According to a recent McKinsey report, "Between 2016 and 2021, the E&S industry has grown by three times as much as the admitted market."

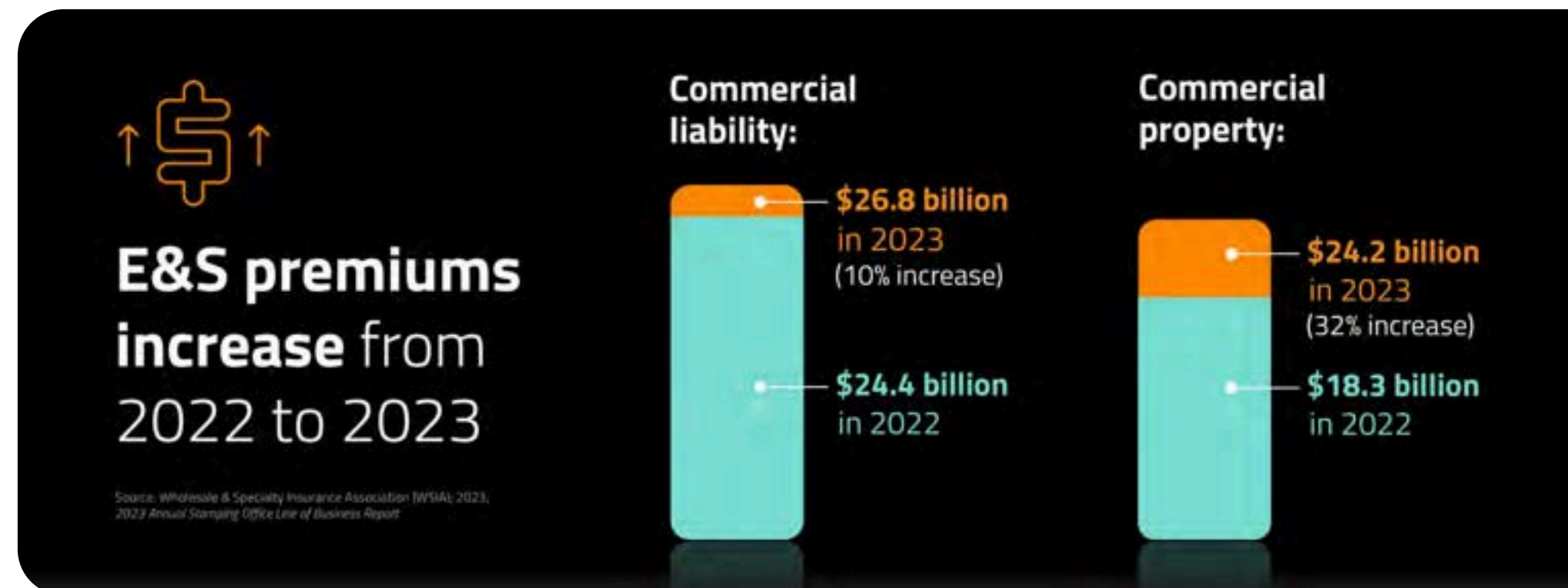
E&S submissions have increased by double-digits in the past year, propelled by independent agents and wholesale brokers. Agents have become increasingly reliant on this insurance coverage tool to ensure their customers' investments are properly protected.



Commercial E&S

Within the commercial category of E&S, commercial liability and commercial property have comprised the bulk of the market. As summarized in a recent Insurance Journal article, "Premiums in [commercial liability and commercial property] lines increased nearly 10% and 32% to about \$26.8 billion and \$24.2 billion, respectively, in 2023."

We expect this growth trajectory in high-risk insurance for commercial markets to continue, at least for the short term.



What factors contribute to the increased demand for E&S coverage?



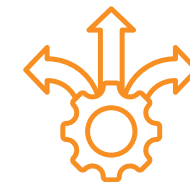
Non-admitted markets for high-risk insurance have stepped in for admitted markets

Admitted carriers are not renewing business and reducing their industry and coverage offerings. Additionally, the increasing cost of claims is leading to the need for admitted carriers to increase premiums. And because of regulatory requirements, it can be difficult to raise those premiums quickly, leading them to exit certain markets altogether. Because E&S carriers can offer more flexible premiums where admitted markets can't budge, they have been able to fill the coverage gaps where there are no, or only prohibitively expensive, coverage options.



Catastrophic events have increased demand for high-risk insurance

Regions that tend to experience more natural disasters, like hurricanes and wildfires, can drive demand for high-risk insurance options like E&S. E&S carriers have been able to provide market stability in states with rapidly shifting admitted market dynamics due to events like these.



Flexibility and agility when remarketing

Remarketing in a hard market can be cumbersome. The industry has demanded creative solutions to an ever-changing variety of high-risk insurance exposures, like cyber risk. Those solutions aren't readily available, or have become very expensive, on admitted markets. E&S carriers, buoyed by their financial strength and agile underwriting, have quickly responded with solutions when remarketing was needed. E&S insurers have been able to capture new business due to the flexibility with the risks they choose to cover. This flexibility allows them to adapt to business trends faster than admitted carriers.



Nuclear verdicts have exceeded expectations

Nuclear verdicts are jury awards or settlements in a liability lawsuit that significantly exceed expectations. These cases usually involve severe injuries, extensive damages, or severe negligence by the defendant across various sectors. Often these awards reach seven-, eight-, or even nine-digit settlements. Because E&S carriers usually have higher limits, they can be a valuable option in these high-risk insurance situations.

Learn what types of small businesses benefit from non-admitted coverage as well as tips on how to advise customers on obtaining E&S to fill coverage gaps. Tips include carefully reviewing the policy terms and conditions, addressing common misconceptions, checking carrier ratings, and staying current on regulatory changes.

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**THE EVOLVING RISKS
OF SMALL BUSINESSES**

Workers' compensation

The evolving workers' compensation needs of small businesses

Contributed by Nicole Farley, Vice President of Carrier Operations at Bold Penguin.

Accidents happen.

And when accidents happen in the course of employment, workers' compensation (WC) insurance provides important coverage that can help protect small to medium-sized businesses (SMBs), their owners, their employees, and their reputation in case of workers' compensation claims.

Having an employee out of work for even one day due to a work-related injury or illness can have a significant effect on a business's ability to operate. With proper WC coverage, valued team members can return to work, teams can build resiliency, and business can be protected.



Average number of days
small business employees
**missed due to workplace
injuries**

Source: Travelers, 2023, *The Travelers Injury Impact Report*

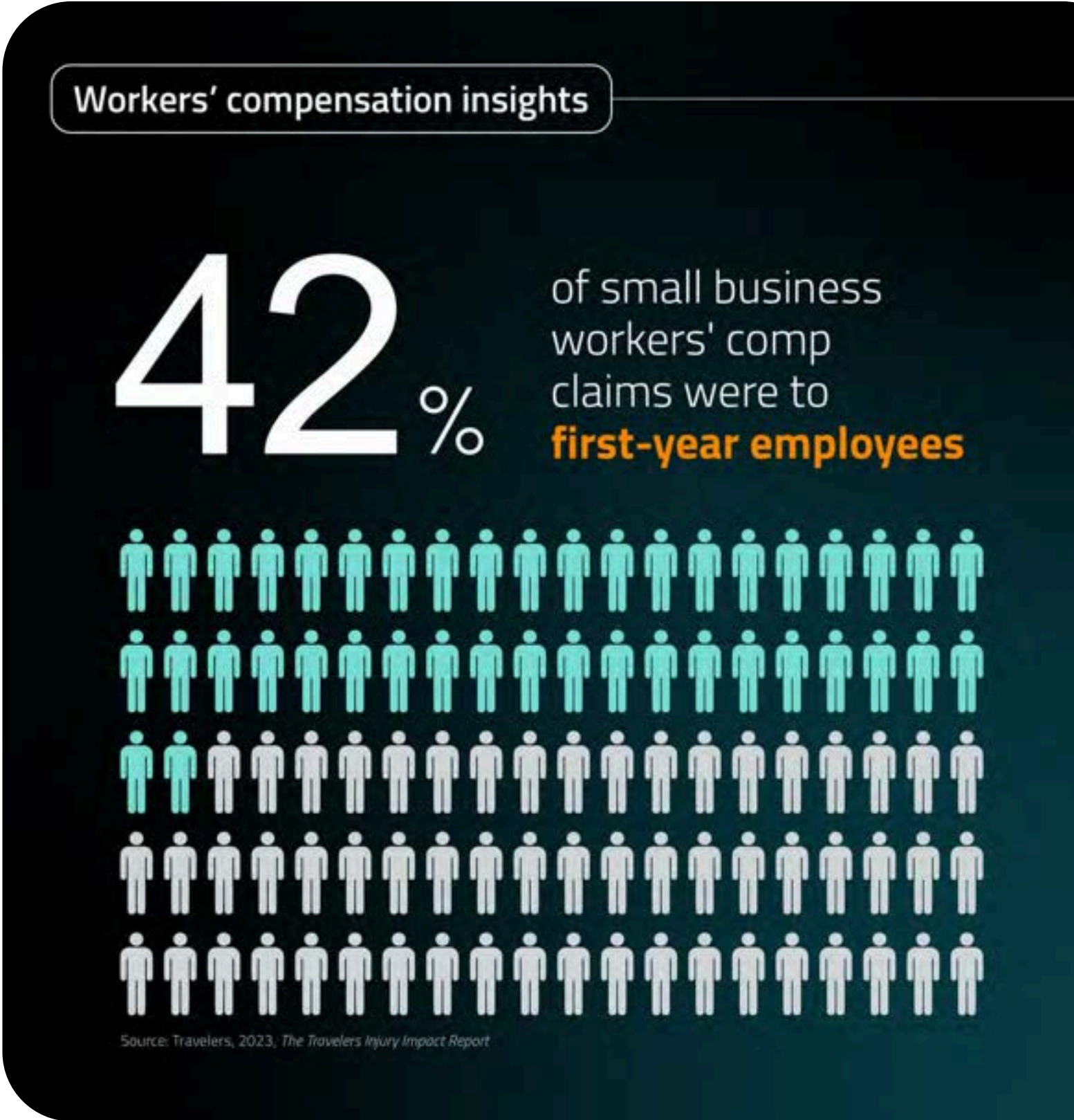
What is workers' compensation insurance & what does it cover?

Workers' compensation is a type of business insurance that provides cash benefits and/or medical care for workers who are injured or become ill as a direct result of their job. Almost all businesses need workers' compensation insurance to comply with state laws.

During a recent interview with Kevin Doyle, AVP Workers' Compensation Line Team for [Travelers Insurance](#), he gave a brief overview of the value WC brings to the commercial industry landscape, "For employers, workers' compensation insurance provides peace of mind. It helps their business avoid expensive civil litigation. It also provides support to injured employees to help them recover and return to work. Specifically, workers' compensation insurance helps cover medical expenses and replaces lost pay for employees while they're out of work, or if they become disabled for an extended time. This includes ongoing care costs and funeral expenses if an employee is hurt, sick, or dies from a work-related illness or injury."

The need for WC coverage cannot be overstated, and because of that, in most cases, insurance covering workers' compensation claims is mandated by the state. Each state has its own WC regulations, and experienced commercial agents can help SMBs navigate what the differing regulations mean for them.

"In most states, workers' compensation insurance is mandatory if a business has one employee or more, because states want to ensure that employees receive the medical care and compensation needed when they experience a workplace injury. [WC] helps their business avoid expensive civil litigation. It also provides support to injured employees to help them recover and return to work," said Doyle.



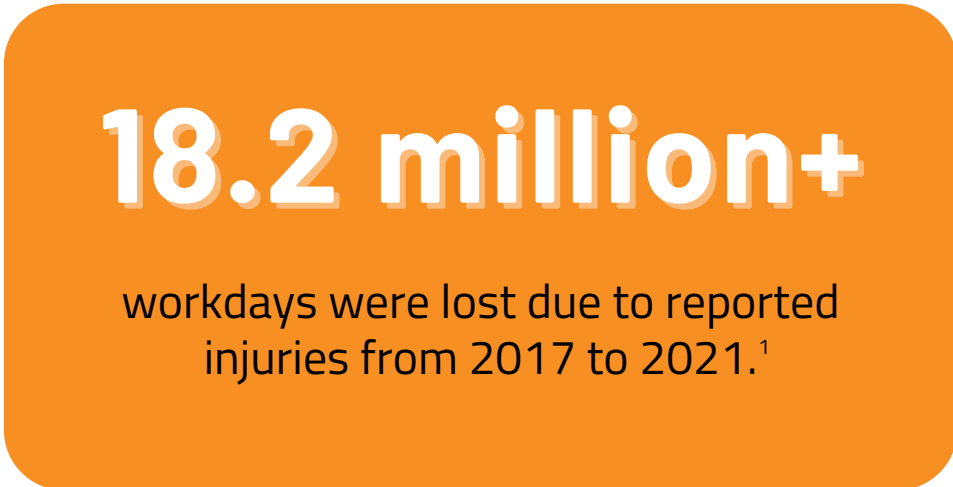
The most frequent types of workers' compensation claims

It's helpful to analyze the currently available data on work-related injuries in order to make more informed decisions about how to proceed with WC risk mitigation. There are several studies and reports that can provide a snapshot into recent workers' compensation claims trends (they occur more often than many would guess).

Doyle stated, "Injuries at work are more common than you might think. For small businesses, the most common causes of workplace injuries that can lead to workers' compensation claims are slips, trips and falls, overexertion, being struck by an object, cuts and punctures, and motor vehicle accidents. Small business employees missed an average of 79 days due to workplace injuries."

Doyle continued, "Travelers' data shows that the newest employees are the most vulnerable. In small businesses, 42% of small business workers' compensation claims were to first-year employees." It is important to remind SMBs to implement safety training for all employees, especially those new to their work environment.

According to an annual Travelers injury report:



1 All data except where noted is Travelers indemnity claim data, in 2017-21 accident years. Zero-dollar claims excluded. Valued 12/31/2021. Losses are unlimited and undeveloped.
2 All data except where noted is Travelers indemnity claim data, in 2017-21 accident years. Zero-dollar claims excluded. Valued 12/31/2021. Losses are unlimited and undeveloped.

Learn more about the top WC misconceptions and how to address them with your SMB customers. You can also gain tips on advising on WC, including preparing for audits, avoiding discrepancies and misclassifications, and how carrier resources can help.

[CONTINUE READING](#) ➔

Thank you


Thanks for reading *The Evolving Risks Of Small Businesses*. The Bold Penguin team and our contributing partners hope you found it educational and insightful.

We are honored to be a part of your growth journey and to help support your small business community.

Be **Bold**.

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About Bold Penguin

Bold Penguin is a leading integrated digital solution platform dedicated to simplifying commercial insurance. Our technology makes the quote and bind process quick, effortless, and profitable for all parties — agents, brokers, and carriers. Bold Penguin's innovative product suite has digitized and transformed a slow, manual process resulting in reduced costs, increased efficiency, and better overall outcomes.