

Small Business – Big OpportunitySM Finding Solutions to Small Business Challenges

RESTON, VIRGINIA – NOVEMBER 24, 2014



L to R: AHT Insurance COO Kate Armfield; Travelers Enterprise Lead for Cyber Insurance Timothy Francis; Travelers Institute President Joan Woodward; MainStreet Bank Chairman, CEO and President Jeff Dick; and SBE Council President & CEO Karen Kerrigan

Keynote Address

Ray Keating, Chief Economist, Small Business & Entrepreneurship Council

Panel Discussion

Moderator – Joan Woodward, President, Travelers Institute; Executive Vice President, Public Policy; The Travelers Companies, Inc.

Kate Armfield, Chief Operating Officer, AHT Insurance

Timothy Francis, Enterprise Lead for Cyber Insurance, The Travelers Companies, Inc.

Karen Kerrigan, President & CEO, Small Business & Entrepreneurship Council

Jeff Dick, Chairman, CEO and President, MainStreet Bank; Chairman, Virginia Association of Community Banks

On November 24, 2014, the [Travelers Institute](#) held its 14th *Small Business – Big OpportunitySM* symposium to help small business owners around the Washington D.C. area prepare for Small Business Saturday and the holiday shopping season. The event, part of a national series examining solutions to small business challenges, took place in Reston, Virginia, in partnership with the [Dulles Regional Chamber of Commerce](#) and the [Small Business & Entrepreneurship Council \(SBE Council\)](#).

Joan Woodward, President of the Travelers Institute and Executive Vice President of Public Policy at Travelers, kicked off the program by welcoming the audience and explaining how the holiday shopping season is a critical time of year. The demands of the season, she said, pose different types of risks to businesses, and a business continuity plan could help mitigate those risks.

Woodward cited the [Travelers Business Risk Index](#), a national survey examining how business decision makers identify and respond to risk, which reveals that less than 25 percent of small business owners have some type of disaster recovery plan.

Ray Keating, Chief Economist, SBE Council, delivered the keynote address, which offered a macroeconomic outlook for small business owners. Keating applauded the fact that the nation's gross domestic product grew 3.5 percent in the fourth quarter of 2014, but noted that it was mostly due to government investment and consumption. Private sector growth also was not as robust as anticipated.

“A recovering economy should be growing at an annual rate of 4.5 percent,” added Keating. “We’re at about half that.”



AHT Insurance COO Kate Armfield



Small Business & Entrepreneurship Council Chief Economist Ray Keating greets small business owners in Reston, Virginia, before his keynote address on the economic outlook.

Keating offered two reasons for the more modest U.S. economic growth: investment and entrepreneurship. Private sector investment is still recovering from its peak in 2006, he said, noting that this time frame for recovery had not been seen since the Great Depression.

“Eight years later, we still haven’t reached that same level and that’s unprecedented,” he said.

Self-employed Americans were at a high of approximately 11 million pre-recession; several years later, that number is still considerably lower at 9.7 million. According to Keating, that is a long period of time for an entrepreneurial nation like the United States to see small business recovery.

Though unemployment levels are also declining, the number is heavily influenced by the influx of part-time workers and the many that may have altogether left the labor force. Keating cited his own economic data when he said that the labor force participation rate, at **62.78 percent**, is “very low.”

Keating closed with a couple of viewpoints on how the U.S. could enjoy a sustained economic recovery. There could be a cleanup of key policy areas like tax law, government spending, regulatory issues and health care. These major policy areas are not pointed in a pro-growth direction, due to the threat of higher costs, and the result is more problems for small business owners.

“Policy matters,” he said.

Karen Kerrigan, President & CEO of the SBE Council, echoed Keating later in the program and believes Congress will come together to make small gains on small business issues.

“I’m hopeful for regulatory reform initiatives,” said Kerrigan. “I do think there could be some progress on tax reform and cleaning up the Affordable Care Act, perhaps better defining what constitutes a full-time employee.” She continued by discussing that nearly 100 bills recently passed through Congress with bipartisan support, but eventually died. Kerrigan believes President Obama may sign some similar bills from this new Congress.

Throughout the program, Woodward polled the audience about their greatest challenges, future plans and overall makeup. She found that more than 70 percent worked at companies with fewer than 20 employees. Fifty-four percent of attendees reported a rise in their company’s revenues in the past year, and 64 percent are most likely to expand in the next 12 months (i.e., hire more workers, re-invest capital or apply for credit).

“The biggest mistake a small business owner makes when applying for credit is that he or she takes too much money out of their company,” said Jeff Dick, CEO and President, [MainStreet Bank](#); Chairman, Virginia Association of Community Banks in Fairfax, Virginia.

Dick explained that entrepreneurs should be patient when trying to grow their business, as growing too quickly could leave the business exposed to a whole new set of daunting demands and other unforeseen risks.

Small Business Optimism

Over the next year, 73% of attendees planned to expand their business or obtain credit, while 27% planned to reduce costs.



L to R: Travelers Enterprise Lead for Cyber Insurance Timothy Francis; Travelers Institute President Joan Woodward; SBE Council Chief Economist Ray Keating; SBE Council President & CEO Karen Kerrigan; MainStreet Bank Chairman, CEO and President Jeff Dick; AHT Insurance COO Kate Armfield; Travelers Regional President Kirk Larsen; and Travelers Select Regional Vice President Stacey Rawlings

When Woodward asked the audience their top business challenge, more than half – 53 percent – said it was attracting and retaining customers. According to Timothy Francis, Enterprise Lead for Cyber Insurance at Travelers, embracing cybersecurity can be one way to attain new customers, as it will help build a company's reputation in relation to competitors. The holiday shopping season causes additional risks to customer data, and Francis added that more than half of data breaches happen to companies with 215 employees or fewer.

“This isn't just a phenomenon for larger companies,” Francis said.

Kate Armfield, COO of [AHT Insurance](#), noted how many local small business owners have been proactive on cybersecurity, with many more inquiring about and buying cyber insurance in recent years.

“Twenty-five percent of all businesses who shut down for any reason, never reopen,” she said. “If a business has a data breach, there will likely be significant additional legal costs involved.”

Francis added that cyber insurance may also cover issues like a crashed server or dysfunctional computers.

Data breaches are not necessarily the work of an advanced hacker. Something as simple as a misplaced or stolen laptop or mobile device could cause a breach. Yet, Francis stressed that even the smallest breaches – no more than 10-20 records – could accrue substantial notification, reputational, replacement and legal costs.

“It could cost upwards of \$500 per hour to contract specialists to investigate and fix [the data breach],” Francis added. The costs include adhering to the regulatory requirements of each state where the entrepreneur conducts business. Francis said there are 47 different state regulatory requirements and protocols in the event of a commercial data breach.

If a business owner encounters a data breach or some other cyber interruption, Francis said that there are resources available to help remedy the situation. He suggested hiring an attorney and procuring a call center service to help accommodate questions from customers.

A small business owner asked Francis about the details that go into pricing cyber insurance. The main components, Francis said, are the business' current infrastructure, reputation and ability to deal with a data breach. A business continuity plan was also a helpful component in the pricing process.

Armfield and Dick also offered some unique insight on each of their respective industries and emphasized the importance of building personal relationships with the business' insurance agent and lender.

“The importance of their relationship with a banker was the most important lesson any small business that survived the recession learned,” Dick said.

“What companies need to understand is that their insurance broker or agent is available as a resource,” added Armfield. “A close relationship with them can make a difference, and you can lean on them for managing your risks.”

Dulles Regional Chamber of Commerce

The Dulles Regional Chamber of Commerce promotes and advocates on behalf of commerce and innovation in the Dulles Region. As one of the largest chambers in the DC Metro area, the Dulles Regional Chamber is the premier chamber serving the dynamic Dulles Region. It works to foster business growth and lifelong connections among its members, support STEM education, spearhead workforce initiatives and economic development solutions, and partner with the communities it serves.

Small Business & Entrepreneurship Council (SBE Council)

The Small Business & Entrepreneurship Council (SBE Council) is a nonprofit advocacy, education and research organization dedicated to protecting small business and promoting entrepreneurship. For more than 20 years, SBE Council has worked to advance initiatives and policies that strengthen the ecosystem for entrepreneurship and business growth.

The Travelers Institute

Travelers established the Travelers Institute as a means of participating in the public policy dialogue on matters of interest to the property casualty insurance sector, as well as the financial services industry more broadly. The Travelers Institute draws upon the industry expertise of Travelers' senior management and the technical expertise of its risk professionals and other experts to provide information, analysis and recommendations to public policymakers and regulators.