

**The Small Business
Risk Management
Playbook**

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Justworks

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INTRODUCTION

The Small Business Risk Management Playbook

Part of leading a growing business is learning to navigate uncertainty. Unexpected challenges, from new compliance rules to an employee injury, are a normal part of the journey. The goal isn't to eliminate every risk, but to manage them smartly for the peace of mind to focus on growth.

The goal of managing risk isn't to worry about what might go wrong, but to be prepared so you can focus on what you want to go right. By taking a proactive approach, you can spot challenges before they grow, find solutions early, and build a stronger, more resilient business.

This playbook breaks down the terms risk-conscious business owners need to know, including:

- Risk Management**
- Regulatory Compliance**
- HR Compliance Software**
- Payroll Audit**
- Payroll Solutions**
- Workers' Compensation Management**
- Disability Insurance**
- Agent of Record (AOR)**
- Unemployment Claims Management**

The foundation of protecting your business begins with understanding how to identify and address potential threats. It all starts with the concept of **risk management**.

Risk Management

Risk management is the process of measuring and mitigating the risks associated with managing a workforce. It can include maintaining compliance with labor laws, establishing a positive work culture, and protecting sensitive employee and company data.

What are the benefits of planning and risk management?

New companies should ensure they don't forget the importance of planning and risk management. Setting up a strategy for effective operational risk management ensures companies comply with laws and regulations. It enables them to maintain long-term stability and growth over time.

All risk management efforts operate within a complex framework of federal, state, and local regulations. Staying on top of these requirements is non-negotiable, which is why understanding **regulatory compliance** is essential.

Regulatory Compliance

Regulatory compliance is the process of ensuring that your HR practices, including payroll, benefits, and record-keeping, conform to relevant laws and regulations.

How can regulatory compliance tools help businesses stay compliant with labor laws?

Regulatory compliance tools support effective compliance management by tracking deadlines, organizing documents, and notifying businesses of legal changes. They help provide accurate payroll, proper employee benefits administration, and timely tax reporting, minimizing the risk of non-compliance and penalties.

Many small businesses rely on regulatory compliance tools to manage compliance risks effectively. Since HR needs to manage various risk areas, they can benefit from **HR compliance software**.

HR Compliance Software

HR compliance software is a digital tool that helps organizations manage and automate compliance with employment laws and internal policies.

How can HR compliance software help prevent legal issues?

HR compliance software helps prevent legal issues by tracking regulatory changes, ensuring accurate documentation, and automating tasks like training and policy acknowledgments. It also reduces non-compliance risk by creating audit-ready records and flagging potential gaps before they become liabilities.

One of HR's compliance areas involves ensuring that employees are paid correctly and on time. Regular payment system verification is essential, which is where a **payroll audit** comes in.

Payroll Audit

A payroll audit is a thorough review of a company's payment records and processes to ensure wages, tax withholdings, and benefit deductions are accurate.

Why do businesses need payroll audits?

Regular payroll checks help identify and correct mistakes promptly. Minor errors can compound into significant problems if left uncorrected for too long. These reviews also ensure that only employees receive paychecks and everyone gets exactly what they've earned.

Getting payroll right is one of the most important aspects of risk management for small businesses. One way to ensure smooth payroll processing is by finding the right **payroll solution**.

Payroll Solutions

Payroll solutions refer to a service or system that helps companies automate and manage their payroll.

What are the benefits of using a payroll solution?

Companies that use a payroll solution can automate payroll processes, including disbursing salaries and wages, as well as calculating and deducting employer and employee taxes. A payroll solution can help businesses comply with local labor laws. They can also help eliminate time-consuming tasks, enhance data security, and increase employee satisfaction.

Effective risk management involves identifying potential risk categories. Every employer should prepare for possible workplace injuries. It's the domain of **workers' compensation management**.

Workers' Compensation Management

Workers' compensation management involves handling insurance and claims when employees are injured on the job. It includes reporting injuries, ensuring regulatory compliance, and providing medical care and wage support to affected employees.

What are the components of a workers' compensation management program?

A strong workers' compensation management program includes prompt injury reporting, safety training to prevent accidents, and clear communication with the insurance carrier. It also requires accurate record-keeping and strong compliance management to meet state regulations. Tracking claims data is essential for identifying trends and improving workplace safety over time.

Some employees will face health issues that prevent them from working. Businesses can support them by offering **disability insurance**.

Disability Insurance

Disability insurance is a type of coverage that replaces part of an employee's income if they are unable to work due to illness or injury, whether on or off the job, to cover expenses during recovery or long-term health issues.

How does disability insurance work?

When an employee can't work or requires a leave of absence due to a disability, illness, or injury, the employer or policyholder submits a claim to the insurance provider. The insurance company reviews medical records and policy terms and may enforce a waiting period. Once approved, the insurer issues periodic payments that replace a portion of lost income.

Disability insurance comes in two forms: short-term and long-term policies. Short-term coverage addresses temporary health issues lasting several weeks or months, typically offering benefits for up to two years. Long-term coverage handles conditions that limit work for extended periods, potentially lasting until retirement age. Many employers include both coverages in their fringe benefits package.

Managing multiple insurance policies, including workers' comp and disability coverage, can become overwhelming. Many small businesses seek help through an **Agent of Record (AOR)**.

Agent of Record (AOR)

An agent of record (AOR) refers to the individual or firm authorized to manage a company's insurance policies, including renewals, changes, and claims.

What responsibilities does an agent of record have?

An AOR has the authority to oversee a company's insurance policies or employee benefits management. They act on the company's behalf, handle communications with insurers, advise on coverage, and help ensure the business obtains appropriate and cost-effective protection.

In addition to managing current employees' claims, businesses also need systems in place for former employees seeking benefits. Handling these requests properly reduces errors and helps control tax obligations. The process is known as unemployment claims management.

Unemployment Claims Management

Unemployment claims management involves handling and responding to unemployment benefit requests from former employees.

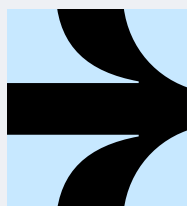
How does unemployment claims management mitigate business risk?

Unemployment claims management reduces business risk by supporting effective compliance management. By promptly tracking and responding to claims, businesses can prevent errors, reduce the risk of false or excessive claims, and control unemployment tax rates. Strong documentation practices protect against audits or disputes with former employees. Overall, this process supports regulatory compliance and helps protect the company's reputation.

Justworks Can Help

Risk management is an essential part of running a small business. The proper knowledge, tools, systems, and partners help protect employees and their livelihoods. The Justworks platform centralizes and simplifies these risk management essentials, including compliance tracking and workers' compensation management.

Get started with Justworks today.



Get Started

PHONE

(844)-749-7785

VISIT

justworks.com

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