

As the COVID-19 pandemic continues, the National Center for the Middle Market surveyed 1,000 executives of mid-sized businesses in June for its 2Q 2020 Middle Market Indicator survey, including questions to assess the impact COVID-19 is having on their operations and business outlook. Comparing the new data with findings from our 4Q 2019 MMI survey and our COVID-19 pulse survey in late March, the following features key insights along with associated risk and insurance considerations. Business owners/leaders are encouraged to review their current risk profile with their insurance agent or broker.

**Risk Insight:**

**Reaching for revenue could raise risk profile**

Facing subdued revenues and a prolonged business recovery from the pandemic means that middle market companies have little room to take chances in a potentially riskier environment.

Of course, health and safety considerations are paramount in these uncertain times. With most middle market leaders in this survey recognizing the need to make improvements for health and safety of employees and customers, staying ahead of potential workers compensation and general liability risks is critical. Engaging your insurance agent or broker and carrier in assessing and mitigating exposures makes sense, as they have deep expertise in all aspects of workplace and premises [safety and health](#) considerations, and are up to date on the latest guidance from federal, state and local authorities.

As companies ramp up operations and reopen facilities, [planning and communication are key steps in managing risks](#). A detailed project plan is a must, and should include assigning responsibilities, allocating necessary resources and outlining contingencies for scope changes and emerging issues. A thorough survey of the facility is critical to surface any safety or premises liability issues that may have resulted from the shutdown, such as postponed fire, elevator or equipment inspections and maintenance. How well you engage employees and partners in understanding the plan’s elements could make or break the reopening, so be sure to provide adequate communications and training, especially where new procedures are required.

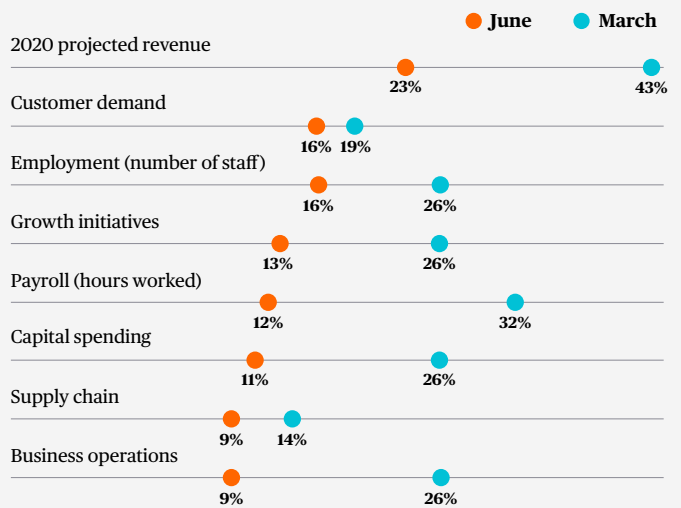
While supply chain pressures have eased, weak links were exposed like never before, along with the potential risks and liabilities. It’s more important than ever to ensure that suppliers not only have the right capabilities, locations, service level agreements and continuity plans, but also adequate insurance. If your company relies on outside suppliers, make sure that your business interruption insurance includes protection against “supply chain” disruption.

In some cases, businesses may decide to change part of their operations to maintain revenues. If the new activity is outside their expertise, though, current insurance coverages may not be able to respond to a related loss. Before starting up a new operation, it’s best to consult your risk management advisors to determine if there are increased liability or other risks and what mitigation measures can be taken to reduce them.

**The number of executives foreseeing a catastrophic hit is about half what it was in March.**

One out of eight middle market executives believes COVID-19 will prove “catastrophic” for their business—13% in June versus 25% in March. Across the board, fewer middle market leaders expect negative impacts than in March. A major negative impact on revenue remains their biggest concern, followed by customer demand, staff size, and growth initiatives.

**Percent of executives expecting a major negative long-term impact to their business in the following areas:**



**Executives project slower revenue growth and a slight reduction in employment.**

Looking ahead 12 months, executives foresee positive growth, but at less than half the 4.9% annual rate expected in December of 2019. Employment is likely to continue to fall in the 12 months ahead. Expansion and investment plans are similarly reduced from what they were six months ago.

**Revenue, employment and investment outlook over the last three quarters**

4Q 2019 MMI (December)	1Q COVID-19 Pulse (March)	2Q 2020 MMI (June)
<b>4.9%</b> projected 12-month revenue growth rate	78% said revenue growth will decline in the next 12 months	<b>2.0%</b> projected 12-month revenue growth rate
<b>3.5%</b> projected 12-month employment growth rate	64% said employment will shrink in the next 12 months	<b>-0.2%</b> projected 12-month employment growth rate
<b>50%</b> planned to enter new markets in the next 12 months*	70% said they will pull back on growth initiatives in the next 12 months	<b>37%</b> plan to enter new markets in the next 12 months*
<b>24%</b> Expected to build a new facility in the next 12 months*	66% said they would delay capital spending in the next 12 months	<b>13%</b> expect to build a new facility in the next 12 months*

## Risk Spotlight:

### Working from home has its own risks

As the reality of an enduring pandemic has set in, a significant number of employees are continuing to work from home. A [recent Chubb survey](#) of new home workers due to the pandemic revealed that more than 40% report feeling new or increased pain in their shoulders, back or wrists since they shifted to remote work. Surprisingly, younger workers were much more likely to experience this pain and discomfort than older workers.

With results like these, it's clear that many employees do not have appropriate home workspaces, which can potentially lead to workers compensation claims for injuries such as carpal tunnel syndrome. If employees can expect to work from home for the foreseeable future, it's important to provide [guidance](#) and possibly resources to make sure they have ergonomically sound and safe workspaces.

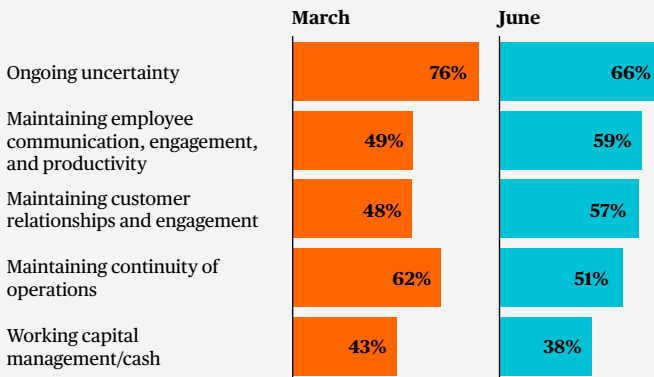
Working from home en masse has also elevated cybersecurity risks, by multiplying a company's points of vulnerability for potential attacks. Chubb's home work survey found that nearly half of employees regularly or sometimes conduct business on personal devices or email accounts, but less than half were concerned about cyber security while using tools to work remotely.

This should be a wakeup call to business leaders. Making sure that safeguards for systems and information exchange practices have adapted to the expanded workplaces and providing [clear guidance](#) to employees have become urgent. In addition, the increased risk should prompt companies to reassess the need for or level of cyber liability coverage.

### Uncertainty is still a major challenge, but less so than in March.

Three months into the pandemic, many companies appeared to be finding their bearings—or at least gaining knowledge of their obstacles. Executives have a better handle on operations and are beginning to focus on the tasks of getting customers served and work done.

#### Most difficult aspect of running a business in the current environment\*

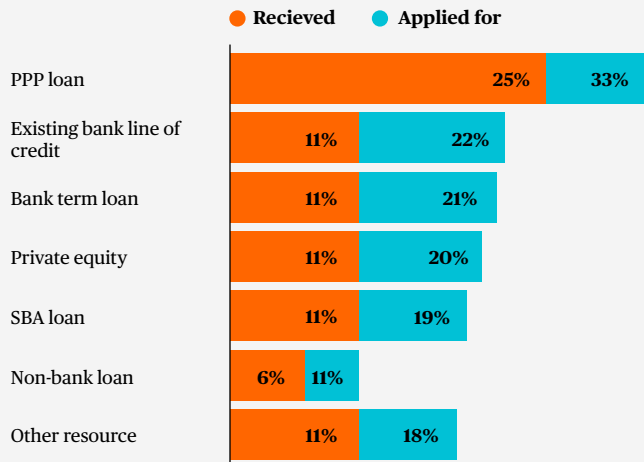


\*Ranked 1st, 2nd, or 3rd

### More than half of the middle market sought and received government and private-sector financing.

Nearly two-thirds of respondents sought financing and 56% received it, with the federal Paycheck Protection Program as the biggest source, especially for smaller firms.

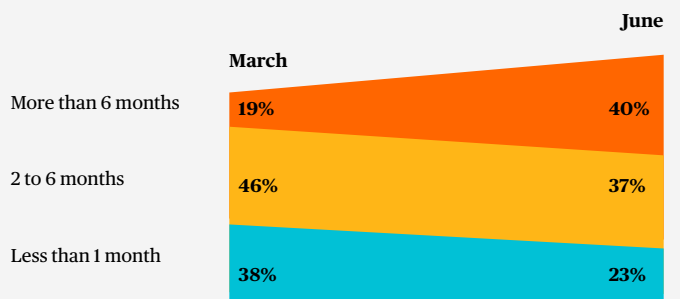
#### Most companies applied for and received financing



### Business leaders foresee a longer road to recovery.

Overall, middle market companies were operating at 67% of capacity in June, with significant variations by industry - construction was at 80%, retail at 56%, for example. Executives' timeline for returning to full capacity once the pandemic comes under control has lengthened considerably. Significantly, more than 80% of leaders expect that their companies will make substantial and long-lasting changes in the ways they operate to ensure the health and safety of employees and customers.

#### The average time executives expect to be at full capacity rose from 4.0 months to 6.4 months



Chubb. Insured.<sup>SM</sup>