

In late March, soon after coronavirus shutdowns took effect, Chubb and the National Center for the Middle Market surveyed executives of mid-sized U.S. businesses to assess the impact COVID-19 is having on their operations. The following features key insights from the survey along with associated risk and insurance considerations. Business owners/leaders are encouraged to review their current risk profile with their insurance agent or broker.

Insights 1 & 2: Most are seeing immediate negative impacts, with growth projections tumbling

While most survey respondents were confident, investment-minded, and anticipating growth going into 2020, they are now facing their most challenging period in a decade. Half or more of respondents are experiencing a major impact to their operations and employment, while significant majorities see growth declining and staffing levels shrinking for the year.

Risk management implications: It's natural to assume that reduced operations or moving offsite decreases exposure to risks. Slowing sales and shifting work to home may lead to a decline in some exposures, such as commercial auto, to the extent fleet usage declines. However, other risk areas remain, such as workers compensation—even if the number of work shifts has been reduced or employees are working at home. Employees may not have an appropriate home workspace, which can lead to accidents and injuries such as carpal tunnel syndrome. As a result, businesses should ensure that employees have properly equipped and ergonomically sound workspaces, regardless of location. For employees who continue to interact with co-workers or customers, safe practices such as social distancing, sanitizing, and proper use of personal protective equipment (PPE) are needed.

Property exposures also remain, and may increase, if buildings are empty. Significantly reduced use and occupancy of business locations could present challenges in the absence of regular activity. For example, reducing or shutting off heat may cause pipes to freeze and burst. Unmonitored fire suppression systems may increase the risk of a significant fire loss.

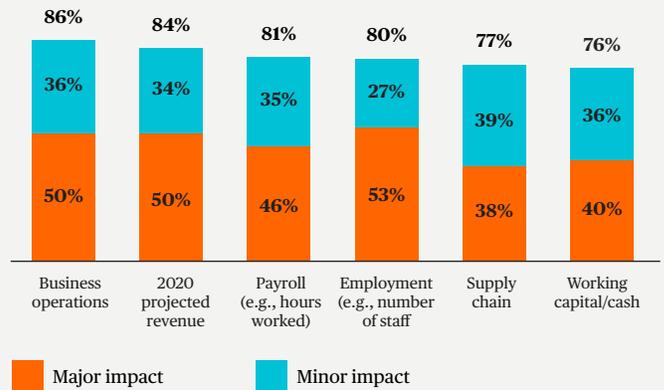
A reduced security presence may result in increased intrusion and resulting stolen or vandalized inventory or arson. Deferring routine risk management programs and maintenance protocols could increase the potential for incidents with higher loss frequency or severity. Poorly lit areas, unprotected floor openings, unmonitored chemicals, or flammable materials can make it dangerous for those entering the building or fighting a fire.

In some cases, businesses may have changed their operations to respond to critical needs in their communities, such as manufacturing PPE. In these situations, it's important 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.

1. The immediate impact of COVID-19 is negative for most—and catastrophic for some—middle market businesses.

More than four out of five companies report at least some immediate negative consequences for operations, revenue, and employment. Nearly as many say their supply chains and cash flow will take a hit in the near term.

Percent of respondents stating COVID-19 will have an immediate negative impact on their business in the following areas:



2. Growth projections have plummeted.

Compared to December 2019, the trajectory of business growth has changed dramatically and will affect key business decisions in 2020.

Long-term expectations

December 2019	March 2020
5.8% was the 12-month projected revenue growth rate	78% say growth will decline
3.2% was the 17-month projected employment growth rate	64% say employment will shrink
51% planned to enter new domestic or international markets	70% will pull back on growth
24% expected to build a new plant or facility	66% will delay capital spending

Insights 3 & 4: Companies struggle with supply chains and cash needs, yet are confident in their ability to come back

Middle market businesses are particularly challenged by disruptions in their supply chain. Companies are also having difficulty finding the cash and working capital they need to keep operating and to emerge when restrictions ease. Despite the unprecedented challenges from the pandemic, companies remain confident in their ability to come back.

Risk management implications: Supply chain risks can occur anywhere, from providers of original raw materials on the upstream side through to the end customer on the downstream side and can result from a failure by a supplier or from your company's own operations. Now is a good time to identify potential weak spots to address in your next planning cycle. This should involve reviewing the capabilities, locations, service level agreements, and continuity plans of the partners throughout your supply chain and revising your contracts as needed when they come up for renewal.

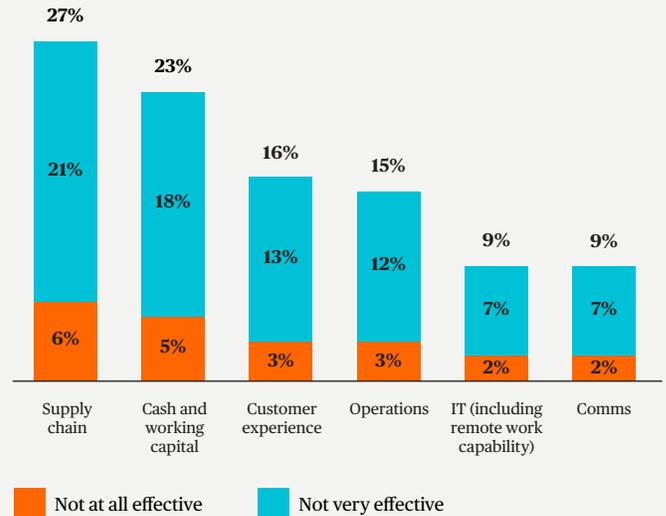
Changing behaviors driven by the pandemic have increased reliance on electronic capabilities, including purchase and payment options. It may make sense to invest in these technologies, recognizing the exposures they create, to be ready for reopening.

With most middle-market business leaders expressing confidence that they will be operating at full capacity within six months, a well-managed recovery plan is key. Resuming operations can pose multiple challenges, especially if there was an abrupt shutdown on the front end. Consider ramping up selected processes, provide effective communication and appropriate training to employees, and have in place updated policies and procedures for hazardous operations.

As a result of the pandemic, business operations will be altered for the foreseeable future, with enhanced cleaning procedures, continued distancing measures, and ongoing use of PPE in many work settings. With these changes, your insurance and risk mitigation needs will adapt as well. Businesses should work closely with their risk management advisors to identify and address risks so that you can focus on managing your business and building a stronger future for your teams, customers, business partners, and communities.

3. Supply chains and access to cash are the most difficult challenges to manage.

Middle market leaders are less effective at mitigating some pandemic-related problems than others.



4. Despite challenges, most middle market companies are confident in their resilience.

Four out of five companies believe they will be able to operate at full capacity in six months or less.



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