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Small Businesses Survived the Crisis but Deserve More Market Fairness

By: Jon Hurst

One year ago, I was often asked by the press and opinion leaders how many of our 4,000-member small businesses we expected to fail due to the closed doors, reduced capacity, shifting consumer spending patterns and continued costs of operation during the COVID crisis. Surveys from May of 2020, when closures were widespread, indicated as many as one-third of our members were very concerned that they would not survive the health and economic crisis and be in operation one year later in 2021.

Step by step through gradual openings, vital federal and state grant programs, vaccines, buy local public information campaigns, reinventions of operating and customer service models and cost-saving group buying services, countless small stores and restaurants have been saved. However, that doesn't mean they are out of economic danger.

Massachusetts had some of the most restrictive early COVID restrictions of any state. While the limited consumer options meant high sales for the open, "essential" sellers, costs for safety and compliance were very high, and inventory was disrupted due to supplier shut

downs. Employee safety concerns and work pressures also pressed payroll up considerably.

Fairness was clearly an issue in the early months. While some of our members were completely closed, others reinvented themselves. Restaurants quickly evolved into a curbside and delivery model, which gave them the opportunity to stay open as essential, while most of our stores didn't even have those options or internet alternatives under the government closure orders. Our florist members could not operate until the week before Mother's Day, unless the actual owner took all the phone orders, made all of the arrangements and did the deliveries. Yet prior to their openings, consumers could legally buy flowers at local supermarkets.

Open or closed due to arbitrary government restrictions, costs continued, including rent, insurance and inventory. Some suppliers were flexible with payments and orders, others not. Likewise, about half of our members had flexible arrangements with their landlords, while others were less fortunate. Hope built throughout the summer as some sales

increased, some occupancy restrictions were slightly relaxed and grant dollars prevented failure. However, the COVID surge numbers a year ago and again in recent weeks triggered more restrictions and public safety mixed messaging — even as vaccines were approved and made widely available.

But what consumers were willing to do, and how they were spending their dollars throughout the pandemic created a roadmap for small businesses to reinvent themselves. They met the consumer where they want to be met, and many of those new forms of service will remain. RAM small-business members doubled their internet selling presence over the course of the pandemic, while others created curbside pickup, delivery, outdoor dining, cocktails to go and by appointment only forms of customer service.

To this day, many retail and restaurant sector employers are in a tenuous position entering the all-important fourth quarter. Across the state, small businesses are struggling with continued supply chain disruptions as well as employee shortages, higher payroll and inflation

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concerns. Trimming operating costs where possible has become all the more important.

One thing has been perfectly clear throughout the pandemic: small-business owners heavily rely on their trusted advisors, such as their brokers and their trade associations. Understanding the complexities of federal and state grant programs, tax policies, employer mandates and seeking models for lowering operating costs at a time when sales were down have been vital for Main Street businesses.

Like the early COVID restrictions, certain government mandates on employers are not equal in cost and choices for the small businesses and their employees. Government regulation and the markets do not always seek uniform offerings and pricing for all types and sizes of businesses, which creates both questions on fairness and new innovative opportunities to level the playing field.

Clearly one important area for operating cost saving comes in insurance, including workers compensation, necessary for the employer; and health insurance, necessary for their workforces. Pricing, choices and levels of service certainly vary by purchasing group sizes for these lines and others.

Professional Employment Organizations (PEOs) offered many small businesses one-stop shopping for various insurance, payroll and human resource services, yet many found discounts for some offerings in a package were coupled with higher costs for another required service or product, and fees seemed to accelerate in some cases. Requirements to buy all offerings limited both choice and savings.

Self-insurance options also seem to have grown. Self-insurance used to be the domain of only large employers, but that isn't the case anymore. Approximately one-third of workers comp is self-

insured, while health insurance has grown to 60% of the market in Massachusetts. Government imposed mandates and market restrictions have created more opportunities for competitive alternatives typically overlooked in the past for smaller businesses.

Here at RAM, we are refocused on delivering for our small members effective employer benefits to keep them competitive with larger sellers as they compete for both customers and employees. We are focused on providing our members a wide variety of services and product options, without the "take it all" requirements of PEOs, but with the savings and benefits of self-insurance offerings.

For 31 years we have offered a non-profit, self-insured cooperative workers comp program, fully regulated by state Division of Insurance. Service levels are unmatched by large commercial insurers, and upfront discounts and back-end dividends represent the collective experience and profits of the group, and those dollars go directly back to the members. Well over \$100 million in savings have been returned to our members from this program, with the smallest member seeing the same percentage savings as the largest.

Similarly, over the last eight years, RAM has created the largest small-business health insurance cooperative in the state for our members (RAMHIC). Modeled after our workers comp program, affordable choices with defined contribution options are important benefits to offer current and prospective employees. Premium discounts, enhanced wellness financial incentives, free subscriber life insurance and free supplemental hospitalization coverage to pay for inpatient deductibles, are all provided to our members through our small-business health insurance cooperative in partnership with Blue Cross Blue Shield of Massachusetts. Although fully insured, the cooperative operates under the

basic fairness concept that group buying, collective wellness and consumer education efforts, which result in lower claims, should also result in lower costs. Those lower costs have resulted in millions of dollars in cost savings for our small members with 50 or fewer employees.

We are seeking to help our members provide the employee benefits to attract and retain their workforces. Joining in with our counterparts in other states, we recently rolled out a Multiple Employer Plan (MEP) allowing our members to offer high quality 401k plans at very little to no cost to the small businesses.

For independent brokers across the Commonwealth, it is important to note that our nonprofit offerings like our workers comp group, health insurance cooperative and our 401k MEP feature competitive commissions, and importantly, are open to any broker wishing to participate and offer the unique options and value to their small-business clients.

Running a profitable and competitive small business in the Commonwealth has always been a challenge, but never more so than over the last year and a half. In this time of change, it may be a good time for entrepreneurs to take that financial risk, and open a new store or restaurant to replace one that has closed and to seek new markets nearer to where customers are now living and working.

As usual, these risk takers will rely upon their key advisors such as their independent insurance brokers as important decisions and investments are made. During this important transitional time, the Retailers Association of Massachusetts stands ready to work with you to protect, promote and preserve our all-important Main Street businesses. ■

Jon Hurst has served as president of the Retailers Association of Massachusetts since 1990. RAM was established in 1918.

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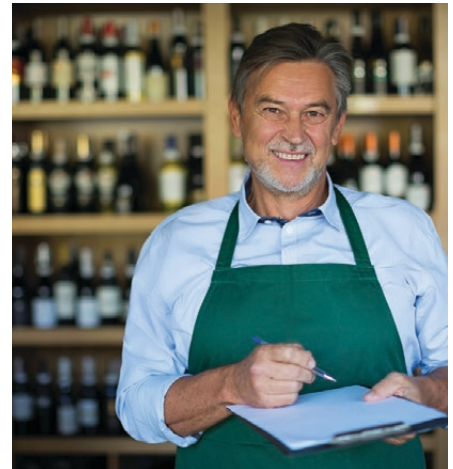
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