

Get Creative With New Insurance Opportunities to Help Cut Costs During COVID-19

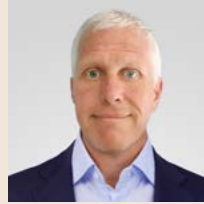
PAYCHEX
Business Series

Coronavirus



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Full transcript

Gene Marks:

Hey everybody, and welcome to the Paychex Business Series Podcast. I'm your host Gene Marks. I'm a certified public accountant and regular business columnist for a bunch of publications, including Forbes and Entrepreneur. But more importantly, I'm a small business owner of a financial and technology management services company, and I've teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services, to bring you real-life advice from real-life business owners and industry experts.

I mentioned insurance services. And on this episode, I'm talking to Rob Ryan, who is the director of virtual sales at Paychex. Rob, hello.

Rob Ryan:

Hello, Gene. How are you today?

Gene Marks:

Nice to speak with you. I know that your title says director of virtual sales, but you handle insurance. And I don't want this to be an advertisement, per se, for Paychex. What I do want to do is to talk a little bit about some opportunities for insurance.

We've been through a lot as business owners, and we're still going through it, trying to recover at the end of this pandemic. But you and I were talking earlier, and you say that this whole situation that business owners are going through right now presents some opportunities for them with regard to insurance. And I was wondering if you can clarify that.

Rob Ryan:

Gene, I'd love to. At Paychex, obviously we service small and medium-sized businesses. And when COVID hit, one of the first things we started hearing, "Well, what does this mean for myself and my insurance? If

I'm furloughing employees, do they still have insurance coverage? Do I keep paying their premiums? What should I do? What about my workers' comp? How should I handle that?"

So we quickly got a taskforce together. We started saying, "Hey, how could we help America's small businesses answer some of these questions on insurance?" And, quite frankly, make sure that they're in a good position to come out of this as strong, if not stronger.

Government legislation has provided some unique challenges during this as it relates to insurance and premiums, specifically workers' comp. With 90% of the population now working from home, they took a look at all the workers' comp policies and said, "Well, all of these people that were out there doing dangerous jobs or at some risk are now sitting in the comfort of their living room. What should we do?" So 43 states decided they're going to change the rules. And anyone who's working from home is considered a clerical employee, or a class code 8810.

Gene Marks:

So let me just say, really what you're saying is that for people that have workers' comp insurance, because of the pandemic, if people are working from home, they can actually save on their workers' comp insurance.

Rob Ryan:

They should be. And I'm hoping that those listening to this podcast have taken advantage of that. It does go retro. Even if you're just finding out about this today, it goes retro back to March 17th. You have to keep very clean records, and you have to be able to show that you did indeed move these people to work from home. And of course, Paychex can help with that. But I'm sure if you're working with any payroll provider that you'll be able to provide those records.

Again, the significant advantage there is if you haven't reclassified those people, it is the lowest class code as far as multiplier of premiums and salary that is available to small businesses that offer workers' comp. So it's significant savings. You need to take a look at it. You need to get with your current broker, you need to get with your payroll provider or however you do that and say, "Hey, I've had these five employees. They switched from going into the office or maybe driving a truck or whatever it is they were doing to working from home."

And the second piece of that, Gene, that's very important is if you had furloughed employees. So if unfortunately you had to lay employees off, and you've already paid your premiums and you signed a contract three or four months ago or prior to COVID, those premiums are still being collected. You really need to be proactive, reach out, notify your broker. Again, if you're with a payroll company and you do automatic payroll withdrawals that match your wages, that's already taken care of.

But it's a tremendous cash flow tool right now to reach out to your broker, your insurance provider for workers' comp and say, "Hey, these people were furloughed. I don't want to shell out the money now for the next 10 to 11 months and have you give me a refund at the end. I'd rather have the cash flow now to help me through these trying times."

Gene Marks:

First of all, that's great advice. I mean, one, obviously for your employees that are still employed by you, they're working from home, they can be classed as clerical workers and that will save on workers' comp insurance. Because clearly that's not as risky a position as what they might have been in before. And if you

furloughed employees, not even necessarily terminated them, but furloughed them, you wouldn't have to pay in for workers' comp. How quickly does this happen? How soon do our rates get reduced or even money get returned if we've overpaid?

Rob Ryan:

And again, a little bit myopic, but I can only speak from the experience with Paychex. What we do is we gather that new payroll information, we reclassify it, we get it right over to the insurance company. You get credited retro back to March 17th for any overpayment of premiums at that point.

And then when the time comes, as states start to open up, people start coming back into the office or whatever your work environment is, we can just reclass that back to the original. So it's instantaneously as long as we have the data and the information and we can work with the provider.

Gene Marks:

When you talk about the provider, and again, this might be a naive question, but I know I have some clients that they get workers' comp from a private insurance company and some that just get it from the state. Does that make a difference?

Rob Ryan:

It does. So typically those who go through the state, they may be in a higher risk pool. So the state has a safety net where if you can't buy workers' comp insurance because you're a high-risk company, maybe climbing trees or working with sharp equipment, most carriers will shy away. But the state has a safety net where you can go through the state, they pool all those people together, and they help some of those higher risk people who may have a lot of prior claims to make sure everyone can get workers' comp insurance.

Gene Marks:

But these same rules still apply?

Rob Ryan:

Same rules still apply. And a caveat. For those who are on a state plan, if things have been good, and there haven't been claims, it probably is an opportunity to take a look in the open market again. Because typically you can find much more favorable rates outside of the state funds.

Gene Marks:

Great advice. Okay. So we talked about workers' comp. Where else? What other opportunities are there for insurance for businesses that have been brought about because of the pandemic?

Rob Ryan:

Yeah. I'll stick with that theme of protecting your business. Cyber protection and cyber liability protection. Again, a lot of people who are now working from home using their laptops, who weren't prior doing that, aren't used to some of the protections and protecting data. If you're now taking credit card information from someone sitting at home—or your employee, I should say, sitting at home, processing payroll information, and where are they keeping those files, or credit card information, I should say.

We really want to make sure you're protecting your business. The terrible stat out there is that 50% of all cyber hacks happen to small businesses under 50, and 60% of them go out of business within the

following 12 months of a cyber breach. Which is ... could get your client's bank account information, their credit card information. They could just get into your files and take all your client information.

It's something you should look at. Everyone's very cautious about being over-insured, but this is one of those things with the environment that we're in right now, with all the technology, and then again, people who are not used to working remotely or from home not protecting that data. It really is something that I would recommend for any small business owner to take a look at it.

Gene Marks:

Is cyber insurance that expensive?

Rob Ryan:

It's not. And I'll give you a typical example of the policies we work with. For \$300 for the year, it's up to \$250,000 in cyber coverage.

Gene Marks:

So it's very, very cheap. And cyber insurance, at least... Would you recommend if people have cyber insurance even now that they take another look at it because their workplace and workforce has changed so much?

Rob Ryan:

I would. It just makes sense. It is so devastating when one of our small businesses does get hacked or someone gets access to their data and exploits it. It really is hard to recover from, between the legal fees and just trying to settle those claims. It really takes up a lot of time, effort, energy, and resources.

Gene Marks:

So we're saving money for our workers' comp. We're not necessarily saving money on cyber insurance, but we can be saving a lot of money if we get cyber insurance, particularly because of all of our work-from-home employees. So you and I, we're having some fun with insurance right now. Tell me something else.

Rob Ryan:

Yeah. Third strategy that we're seeing is more under the bucket of "protect your employees." So how are people getting creative with health insurance right now? Maybe you didn't offer it in the past, or you offered it and business is a little slow and you need to take a look and maybe cut back. And last thing you want to do is completely cut out your employees' health insurance during a pandemic, right? That would seem highly insensitive.

Gene Marks:

Right.

Rob Ryan:

But we're running small businesses. At the end of the day, cash flow, and what can we afford, and we want to keep the lights on and keep the business open. A strategy—we're seeing a huge shift in talking to our carrier partners as well—is going from a small group health insurance, where the small business owner gets everyone together and says, "Hey, we're going to offer X carrier for this much. Here's your co-insurance. Here's your deductible. Here's your pharmacy benefit limits." And it's kind of a one size fits all. And then every year at renewal time, we all know premiums increase between 10 and 20% with insurance carriers.

We're seeing a huge shift. One of our major carriers now has shifted more people into individual insurance, where the employer gets what's called a qualified HRA with a defined contribution strategy. So the employer says, "You know what? I'm going to give you all \$200. You find a plan that fits you best." Because

if you're 22 years old and you're in great health, you probably don't want first dollar coverage. But if you're 25 years old and you're expecting a kid, you probably do want first dollar coverage.

So it kind of opens it up and protects the employer, because they know it's defined every year. "Every year I'm going to give X amount of dollars to my employees." They're going to shop around either with a broker, or someone like Paychex is going to act as a concierge to help them find a plan that best fits them. And it's kind of a win/win for everybody.

Gene Marks:

Are HRAs, or healthcare reimbursement accounts, are these actually legal under the Affordable Care Act?

Rob Ryan:

They are. So they changed that ... oh, I want to say 18 months ago. One of the major misses when the Affordable Care Act came out, they didn't allow small business owners to use a qualified HRA. So it ended up being a lose for the employer, because they didn't save on their business taxes, and the employees lost as well because they couldn't do pretax deductions.

Gene Marks:

Right. So in this case, an employer can make a ... And this is a pretax contribution to the employees?

Rob Ryan:

Right.

Gene Marks:

So the employee doesn't have to pay on whatever they receive from the employer. And I guess another benefit is for small employers that may not have any health insurance, at least they can provide this benefit to their employees in lieu of health insurance. Can you provide this and still have a health insurance plan?

Rob Ryan:

You can. So if you've got one or two employees that may want to carve out and go this route, you can provide those. I don't want to give too much legal advice on here. There's always anti-discrimination laws.

Gene Marks:

Understood.

Rob Ryan:

You can't necessarily go out and say, "Well, you're going to get on the group health plan because you're healthy and young, and you're going to keep premiums down. But you've got a health history, or you're a little bit older, so I'm going to kick you off that plan and put you over here." So I would definitely consult, again, on your specific situation and how you're classing your employees for who's going to be in what plan.

Gene Marks:

Yeah, I totally got you. So three big action items here, and this is awesome, Rob. I mean, number one is workers' comp. We can potentially save on that because of work-from-home and workplace changes. Getting cyber insurance doesn't cost that much money, but certainly has a lot of savings. Particularly when we look at how vulnerable small businesses are to cyber attacks. And might be a great opportunity to revisit your health insurance, potentially set up a qualified healthcare reimbursement account plan. But, of course, you want to consult your attorney, your HR expert, your insurance expert, your payroll experts who can provide you the best advice based on what your workforce is.

Rob, thank you very much. Rob Ryan, that was fun with insurance, right? I mean, is that even possible?

Rob Ryan:

Insurance is fun.

Gene Marks:

Rob is the director of virtual sales at Paychex. And for more information about what we discussed today, and other coronavirus questions and topics, please visit the Paychex COVID-19 help center. The address is paychex.com/coronavirus-resources. So thanks for listening.

Rob, thank you very much for some great insights. I hope people take that information back to their advisors and experts and have a little fun with insurance, maybe save a little money and provide some benefits to their employees. So thank you, Rob, and thanks everyone else for listening. And we will see you next time.

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