

# Middle Market Indicator

## Market Dynamics Outlook Q2 2021

In June 2021, Chubb and the National Center for the Middle Market surveyed 1,000 executives of middle market companies for its semi-annual Middle Market Indicator report. Chubb is providing these survey insights to help companies and their insurance partners understand business trends and evolving risks.

### Middle Market Companies Showed Signs of Economic Recovery in Q2

While the COVID-19 delta variant has been a setback more recently, the vaccine rollout provided a welcome lift for middle market companies in the first half of the year, with key indicators reaching near or above pre-pandemic levels.

**Economic confidence** increased more than 20 points at all levels - local, national and global - since Q4 2020, with domestic confidence at heights not seen in three years.

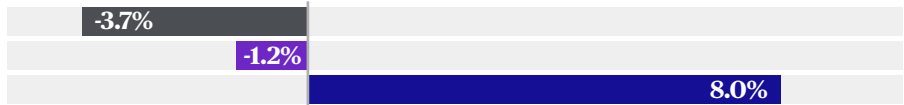
**Revenue growth** over the past year recovered strongly from negative territory in Q4 2020, while **expected revenue** for the next year more than doubled since then and was viewed with increasing optimism over the next two years.

Year-over-year **employment growth** rebounded to a two-year high.

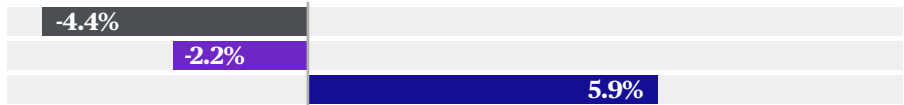
**Company performance** over the past year improved for two-thirds of companies, jumping from Q4 2020.



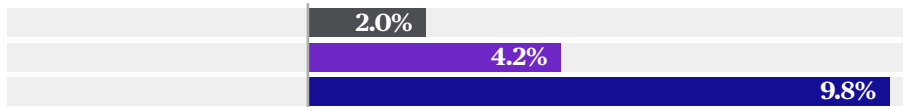
#### Revenue Growth - Past 12 Months



#### Employment Growth - Past 12 Months



#### Expected Revenue Growth - Next 12 Months



■ Q2 2020 ■ Q4 2020 ■ Q2 2021

### Pandemic Forced Changes in Operations for Some Middle Market Firms, Heightening Risks

The pandemic has changed the way some middle market companies operate, potentially altering their risk profiles.

**Returning to offices** - In Q2, half of firms were fully back to on-premises work, while a third were in a phased return. More than half of companies said they would encourage employees to get vaccinated, and a quarter were planning to mandate it.

**Digitization/cyber** - Managing technology has become more challenging during the pandemic due to increased digital adoption and cyber threats. More than half of firms were more likely to invest in digital priorities due to the pandemic, particularly to improve efficiency and increase revenue and customer engagement.

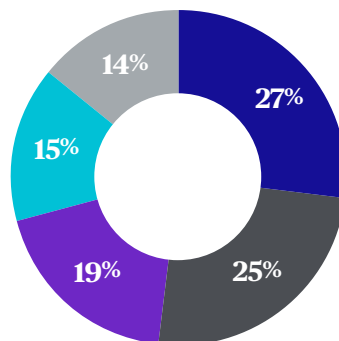
#### COVID-19 Has Forced Middle Market Companies To Prioritize Digital Investments

% of middle market companies to invest in digital priorities due to Covid-19 impact

**58%** Much/Somewhat more likely to invest

**34%** No impact

And among middle market companies currently taking efforts to digitize their company, the reasons are:



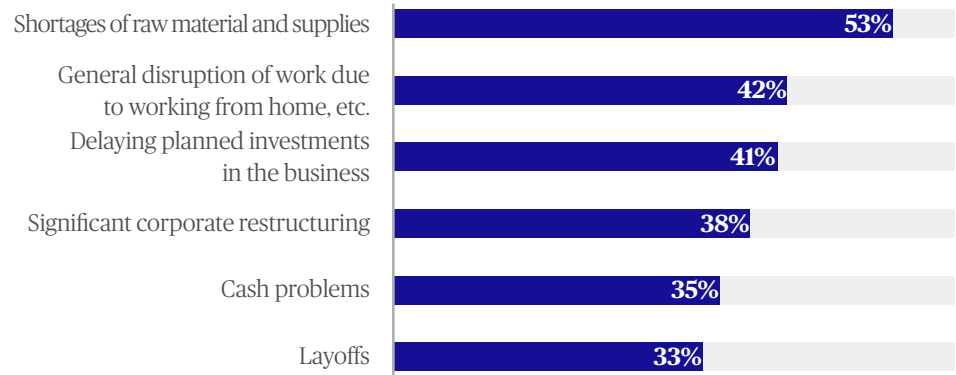
- To improve efficiency, cut costs, etc.
- To increase revenue, connect with customers, etc.
- To mitigate risk
- To build new business models
- To minimize competitive threat

## Pandemic Forced Changes in Operations for Some Middle Market Firms, Heightening Risks (cont.)

**Supply chain** - In Q2, more firms viewed shortages of materials and supplies as likely to impact business over the next six months, well ahead of all other factors. A third of companies still believed COVID-19 would negatively affect their supply chain in the next year.

**International operations** - Companies started to scale up their international activity in Q2, including employees traveling internationally, doing business with international suppliers, selling in international markets, and operating in locations outside the U.S.

### % of Middle Market Companies Saying They Are Extremely/Very Likely To Experience the Following Key Challenges Over the Next 6 Months:



## Middle Market Companies Place Increasing Importance on Risk Management

The pandemic has changed the risk landscape for middle market companies, making them more risk averse.

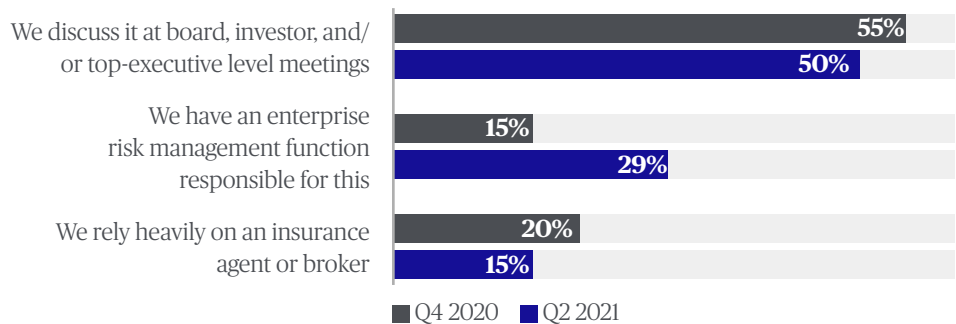
On the encouraging side, nearly double the firms had an enterprise risk management function than in Q4 2020, while significantly more viewed risk management as important.

However, while there was slight improvement from Q4 2020, very few companies said they were completely prepared to manage various types of disruption, including pandemic-related risk, cyber breaches, hazardous weather, prolonged power outages, and physical damage from water or fire.

Additionally, only 15% of middle market companies rely heavily on an insurance agent or broker to help them understand and manage risk. Working with these risk management professionals can help middle market firms better understand their evolving exposures and avoid potential insurance coverage gaps.

### Managing Risk Remains a Concern for Boards, Investors and Top Executives

% of middle market companies responding when asked how their companies manage risk:



### Overall Importance of Risk Management Has Jumped 11% Since Q4 2020

% of middle market companies that say risk management is extremely/very important:



For more information on these topics or others, visit [Chubb.com](http://Chubb.com).

Now, more than ever, middle market companies need expert advice on how to manage shifting and emerging risks. Working with an insurance agent or broker is the best way to create tailored insurance strategies that help protect a company's operations and business performance.

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