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NATIONAL CENTER FOR THE MIDDLE MARKET

Middle Market Indicator

Market Dynamics Outlook Q2 2021 – Financial Services Companies

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

Outlook Improved for Middle Market Financial Services Companies in Q2

While the COVID-19 Delta variant has been a setback more recently, middle market financial services firms saw their business prospects improve as the vaccine rolled out in the first half of 2021, with key indicators moving higher from Q4 2020 and some reaching near or above pre-pandemic levels.

- **Economic confidence** in the U.S. more than doubled since Q4 2020.
- **Company performance** over the past year improved for the vast majority of companies, rebounding strongly from Q4 2020.
- **Revenue growth outlook** for the next year was viewed positively by nearly three quarters of companies, compared to half in Q4 2020, with projected revenue growth over the next year rising to a 10-year high

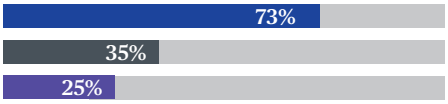
Pandemic Shifted Financial Services Firms' Risk Landscape

While middle market financial services companies are recovering, the pandemic has made them more risk averse overall, more likely to pursue business transitions and more concerned about managing related risks.

Risk perspective - In Q2, more than half of financial services companies said they were more risk averse due to the pandemic, up slightly from Q4 2020.

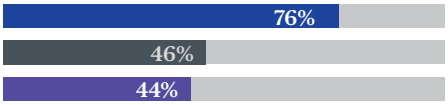
Business transitions - More than half of financial services companies were more

Economic Outlook



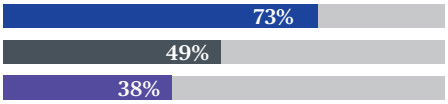
Middle market financial services companies say they are extremely or very confident in the U.S. economy

Company performance



Middle market financial services companies say their company performance has improved compared to one year ago

Revenue



% of middle market financial services companies say their revenue will grow over the next year

Q2 2021 Q4 2020 Q2 2020

Business Transitions

54% Q2 2021 **30%** Q4 2020

of middle market financial services companies say COVID-19 makes restructuring much or somewhat more likely

54% Q2 2021 **28%** Q4 2020

say the same about making a transformative acquisition

51% Q2 2021 **17%** Q4 2020

say the same about merging with another business

Middle Market Financial Services Companies Expectations for Industry Over Next 12 Months



likely to restructure or pursue transformative acquisitions or mergers in the business environment created by the pandemic, all up sharply from Q4 2020. At the same time, more than double the companies in Q2 found it extremely or very challenging to manage risks related to changes in leadership or control (e.g., CEO succession, M&A) compared to Q4 2020.

While Companies Scale Up Risk Management, Property Exposures Remain

Risk management has become more valuable to middle market financial services companies, with most viewing it as important in Q2.

However, while there has been some improvement, relatively few companies believed they were completely prepared to respond various property-related risks in Q2, including **hazardous weather**, **prolonged power outages** or **physical damage from fire or water**. Chubb's broad range of insurance coverages and risk consulting expertise includes insights and resources than can help businesses improve safety and minimize disruption from such incidents from water damage, hurricanes and wildfires.

Finally, middle market manufacturers are not taking advantage of a key risk management resource, with few relying heavily on an insurance agent or broker to help them better understand their evolving exposures and avoid potential insurance coverage gaps.

82% Q2 2021 **76%** Q4 2020

Middle market financial services companies say risk management is an extremely or very important part of their firm

Only **13%**

of middle market financial services companies rely heavily on an insurance agent or broker to understand and manage risk

Risk Preparedness



of middle market financial services companies say they are completely prepared to respond to hazardous weather

are completely prepared for prolonged power outages

say they are completely prepared to respond to physical damage from water or fire

(Data indicates preparedness to respond during these events)

Risk Perspective

56%

of middle market financial services companies say that COVID-19 has made them more risk averse.

Transaction-Related Risks

41%

find it extremely or very challenging to manage risks related to changes in leadership or control (e.g., CEO succession, M&A)

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.

To learn more about these topics or others, visit Chubb.com

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