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MIDDLE MARKET INDICATOR: YEAR-END 2022

# An overview of the Middle Market and its dynamics

Partnering with the National Center for the Middle Market (NCMM), we surveyed 1,000 executives from Middle Market companies. Enclosed are the results, showcasing the general business trends and evolving risks affecting this segment.

KEY FINDINGS

# 01 Middle Market companies continue strong performance

## Middle market companies maintained their growth momentum in the second half of 2022

- Mean revenue growth and employment growth remain strong at all-time highs since the survey's 2012 inception
- On average, companies expect revenue and employment growth to cool a bit in 2023, but still at a double-digit rate

## Economic confidence rises, reversing a downtrend since mid-2021

- Overall, confidence has not returned to the levels of a year ago
- Confidence in the national economy lags its year-end 2021 reading significantly

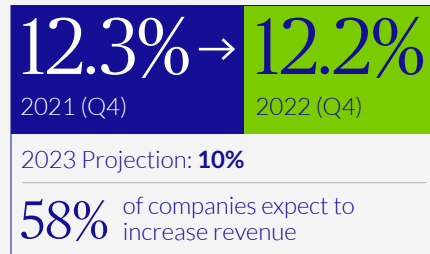
## Growth opportunities continue to look promising in 2023

- While plans to introduce a new product or service and expand into new domestic markets have remained stable over the past year, others have increased, such as opening a new plant, bringing in new equity investment and expanding into new international markets

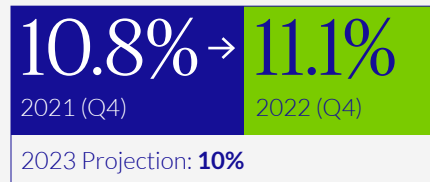
## The data behind the findings

### GROWTH MOMENTUM CONTINUES

#### Mean revenue growth



#### Mean employment growth

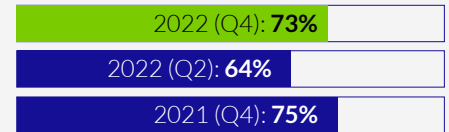


#### Companies responding that their performance improved in 2022

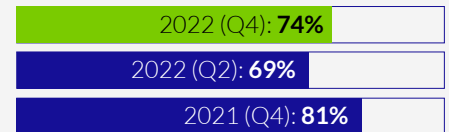


### CONFIDENCE IN THE ECONOMY REVERSES COURSE

#### Global economy



#### National economy



#### Local economy



### IN THE NEXT YEAR, MIDDLE MARKET FIRMS EXPECT TO

Bring in new equity investment

58%

+4 from Q4 2021

Open a line of credit

54%

+3 from Q4 2021

Add a new plant or facility

52%

+6 from Q4 2021

Expand into new international markets

51%

+3 from Q4 2021

## KEY FINDINGS

# 02 Inflation, potential recession are top concerns for the Middle Market

## Inflation remained the biggest concern for middle market companies in the second half of 2022

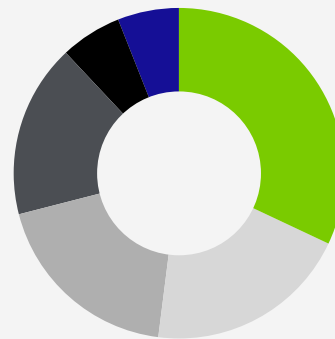
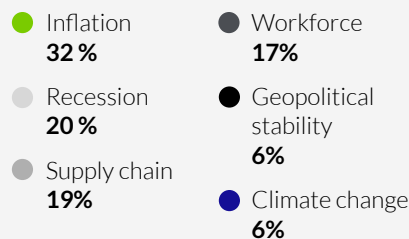
- Inflation drives up replacement costs of assets covered by insurance, a reality noted by nearly three-fourths of companies
- The majority of firms say inflation has impacted their ability to replace covered assets with their existing insurance coverage
- As a result, more than two-thirds of middle market companies will consider increasing insurance coverage amounts to compensate for inflation

## Possible recession – a new response choice for this survey – has become the second major concern

- More than two in five companies say they would experience a negative impact from a recession
- Company response strategies include cutting expenses through budget reductions or operational efficiency, conserving cash or keeping positions unfilled

## The data behind the findings

### BIGGEST CONCERNS FACING MIDDLE MARKET FIRMS



### VIEWS ON POTENTIAL RECESSION

# 42%

of middle market companies believe they would be negatively impacted by a recession

#### In a recession, companies would:

- 32% Cut expenses via budget reductions
- 31% Cut expenses via operational efficiency
- 31% Conserve cash
- 29% Leave open positions unfilled

### INSURANCE IMPACTS OF INFLATION

# 73%

of companies say the replacement value of covered assets has changed due to inflation. **Percentage by industry segment:**

- 80% of Financial Institutions
- 82% of Life Sciences Companies
- 70% of Manufacturing Companies
- 74% of Technology Companies

# 55%

say this has impacted their ability to replace covered assets with existing coverage

# 69%

of companies say they will consider increasing coverage amounts

## KEY FINDINGS

# 03 Key risks remain challenging to manage

## Inflation and supply chain continue to top the list of risk management challenges for middle market companies

Nearly all of the major risks have become more difficult for companies to manage over the past year, led by catastrophic incidents, change in leadership or control and strategic risks.

Two-thirds of middle market companies experienced non-pandemic disruptions in the past two years, and more than a third acknowledged that they could have been covered for strategic disruption if they had purchased available insurance.

This shifting risk landscape provides an important opportunity for middle market companies to review their insurance programs with their agents and brokers. For example, a quarter of companies impacted by inflation have evaluated the adequacy of their insurance coverage.

Middle market companies and their insurance partners can rely on Chubb to provide specialized risk engineering services to evaluate and mitigate exposures. Additionally, Chubb can offer customized insurance coverage that offers essential protection for various risks.

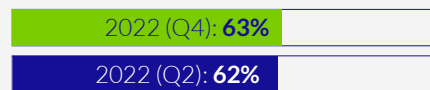
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## The data behind the findings

### PERCENTAGE OF MIDDLE MARKET FIRMS FINDING RISK EXTREMELY/VERY CHALLENGING TO MANAGE

#### Inflation risk\*



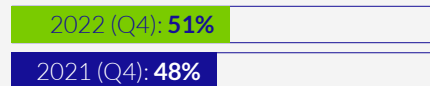
\* New response choice in Q2 22

#### Recession risk\*

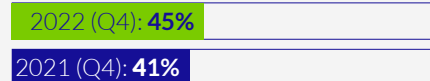


\* New response choice in Q4 22

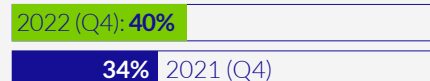
#### Supply chain risk



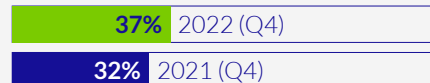
#### Competitive risk



#### Catastrophic incidents (not cyber)



#### Change in leadership or control (CEO succession, M&A)



### ROLE OF INSURANCE IN DISRUPTIONS

# 67%

experienced non-pandemic business disruptions in the past two years

#### Key losses covered or could have been covered:

##### Strategic risk

- 43% Covered
- 38% Coverage available but not purchased

##### Operational risk

- 53% Covered
- 30% Coverage available but not purchased

### RESOURCES TO STAY UP TO DATE ON THESE RISKS

[Economic forces impact commercial property replacement costs](#)

[Protecting businesses from supply chain](#)

[Catastrophic weather impacts on businesses](#)

[Cyber risk management information](#)

## More than ever, Middle Market companies need expert advice on how to manage evolving 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.

For more information about these or other topics, visit [chubb.com](http://chubb.com).