

CHUBB®



MIDDLE MARKET INDICATOR: YEAR-END 2022

Technology

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 Growth continues for middle market technology companies

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

- Mean revenue growth and employment growth remained steady at double-digit rates during the year.
- In 2023, these companies expect revenue growth to slow, as spending on PCs, smartphones and other devices that enabled remote work falls from the pandemic peak.
- While tech layoffs have made headlines, middle market tech companies see employment growth advancing further in 2023.
- Higher revenue and wage growth are welcome, but they put more business income at risk from an insured loss.

Economic confidence perked up in the second half of 2022, but not to the levels of year-end 2021

- Reversing course from sharp declines in the first half, confidence at all levels moved significantly higher in the second half of the year.
- Companies expressing confidence in the national and global economy remained about 10 points lower than a year ago.

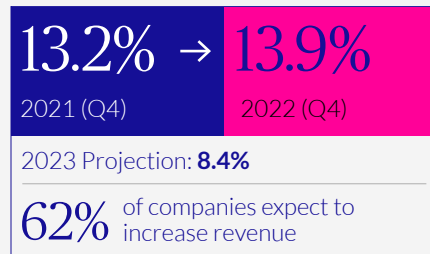
Companies are less bullish on expansion opportunities than they were a year ago

- More than two-thirds of companies expect to introduce a new product or service and expand into new domestic markets in the coming year.
- All of the top ways that these companies are planning to expand during 2023, have declined significantly over the past year.

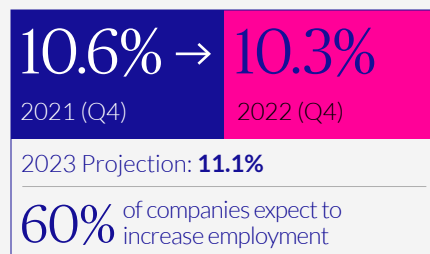
The data behind the findings

GROWTH REMAINS STEADY

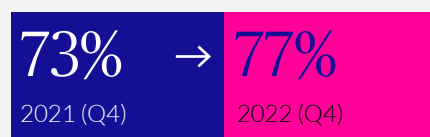
Mean revenue growth



Mean employment growth



Companies responding that their performance improved in 2022

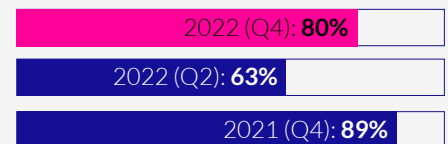


CONFIDENCE IN THE ECONOMY RISES

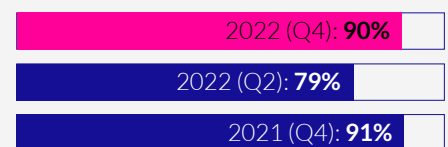
Global economy



National economy



Local economy



IN 2023, MIDDLE MARKET TECHNOLOGY FIRMS EXPECT TO:

Introduce a new product or service

72%

-8 from Q4 2021

Expand into new domestic markets

67%

-6 from Q4 2021

Bring in new equity investment

58%

-7 from Q4 2021

Expand into new international markets

57%

-8 from Q4 2021

KEY FINDINGS

02 Middle market technology companies view inflation and supply chain as top concerns

Inflation remained the biggest concern by far for middle market technology companies

- On the supply side, inflation is having the biggest impact on the costs of goods and raw materials for these companies, while it pinches consumer and business spending on the demand side.
- Inflation drives up replacement costs of assets covered by insurance.
- As a result, most companies will consider increasing insurance coverage amounts to compensate for inflation.

Supply chain issues persist for middle market technology companies

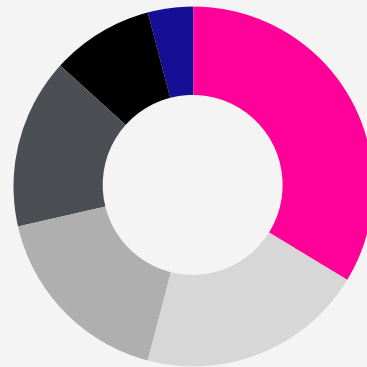
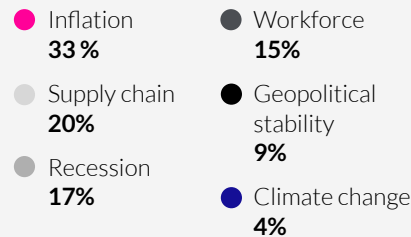
- Supply chain jumped to the second biggest concern for these companies at year-end 2022, up from fourth at mid-year.
- At the same time, middle market technology companies appear to be taking better control of supply chain management, with the top aspects they find challenging either remaining steady or dropping significantly.

Possible recession - a new response choice for this survey - has become a substantial concern

- Interestingly, more middle market technology companies expect a potential positive impact from a recession, as digitization would become even more critical for all types of businesses, driving demand for tech companies' products and solutions.
- Company response strategies would include such steps as cutting expenses, leaving open positions unfilled, and conserving cash.

The data behind the findings

BIGGEST CONCERNS FACING MIDDLE MARKET TECHNOLOGY FIRMS



IMPACTS OF INFLATION

Top areas negatively impacted by inflation

59% Cost of goods/raw materials

37% Shipping

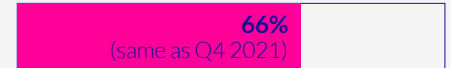
Insurance impacts

74% of companies say the replacement value of covered assets has increased due to inflation.

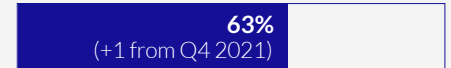
84% of companies say they will consider increasing coverage amounts.

MOST CHALLENGING ASPECTS OF SUPPLY CHAIN MANAGEMENT

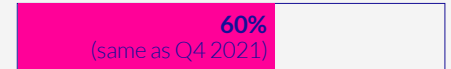
Globalization of the supply chain



Supplier due diligence/audit



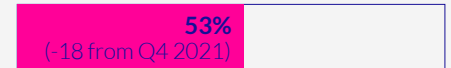
Complying with customer requirements



Currency fluctuations



The size and scale of the supply chain



VIEWS ON POTENTIAL RECESSION

Positive impact

49%

Negative impact

37%

In a recession, companies would:

34% Cut expenses via budget reductions

29% Leave open positions unfilled

29% Cut expenses via operational efficiency

25% Conserve cash

KEY FINDINGS

03 Risk management challenges largely decline for middle market technology companies

Aside from inflation and recession, these companies view several risks as less challenging to manage.

- Consistent with their top business concern, inflation remained the top risk management challenge for this industry segment, followed by potential recession.
- Companies finding the next several risks challenging to manage fell an average of 10 points from a year ago.

The majority of middle market technology companies experienced non-pandemic disruptions in the past two years, and a significant percentage acknowledged that they could have been covered for these disruptions if they had purchased available insurance.

Middle market technology companies should take a proactive approach to evaluating and managing the risks they face from inflation, supply chain disruptions, and potential recession. Strategies include:

Risk mitigation – Identifying approaches to mitigate exposures and prevent losses helps control the cost of risk. Instead of delaying projects or conserving cash in a scenario of inflation and possible recession, it may make sense to implement capital improvements, such as replacing roofs or installing water shutoff valves, and conduct employee ergonomic assessments, among other measures.

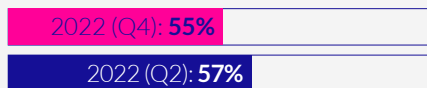
Business continuity planning and insurance adequacy – A thorough business continuity plan can help estimate replacement costs and duration of loss, find weak links and workarounds in supply chains and computing environments, and address climate exposures. These inputs enable companies to fine-tune the level of risk they assume through coverage limits and deductible levels.

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The data behind the findings

MIDDLE MARKET TECHNOLOGY FIRMS FINDING RISKS EXTREMELY/VERY CHALLENGING TO MANAGE

Inflation risk*



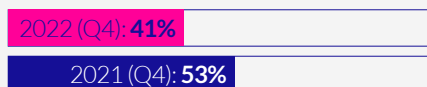
*New response choice in Q2 22

Recession risk**

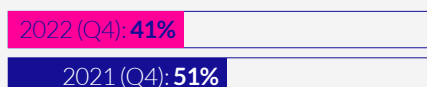


**New response choice in Q4 22

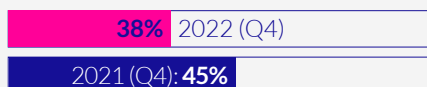
Competitive risk



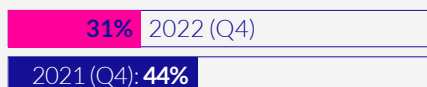
Insufficient cyber security



Supply chain risk



Catastrophic incidents (not cyber)

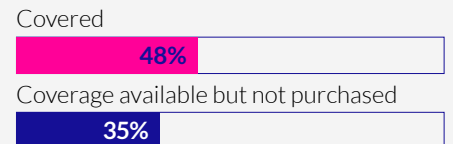


ROLE OF INSURANCE IN DISRUPTIONS

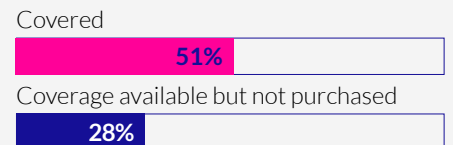
63% Experienced non-pandemic business disruptions in the past two years

Key losses covered or could have been covered:

Cyber/data disruption



Strategic disruption



Operational disruption



RESOURCES TO STAY UP TO DATE ON THESE RISKS

[Insurance solutions for technology companies](#)

[Impact of digital business trends in the workplace](#)

[Protecting employees from cyber theft in a remote environment](#)

More than ever, middle market companies need expert advice on how to manage evolving risks



Chubb, along with its agent and broker partners, can provide insights on the exposures surrounding these risks, as well as specialized risk engineering services to evaluate and mitigate exposures. Additionally, Chubb can offer solutions for managing these risks through customized insurance coverages that provide essential protection.

For more information about these or other topics, visit chubb.com.