

CHUBB®



NATIONAL CENTER FOR  
THE MIDDLE MARKET

MARKET DYNAMICS OUTLOOK 2022 MID-YEAR

# Financial Services

Partnering with the National Center for the Middle Market, we surveyed 1,000 executives from middle market companies in June 2022. Here are the results highlights, which show the key general business trends and evolving risks affecting this segment.

## KEY FINDINGS

# 01 Middle market financial services companies on strong growth path

## Growth momentum continued for middle market financial services companies surveyed:

- Employment and revenue growth are at or near all-time highs
- More than three-quarters of respondents noted that their overall performance improved over the past year
- More than three-quarters are doing better than before the pandemic, a view that rose significantly since year-end

## Confidence in the economy remained high at all levels, but has slipped somewhat from a year ago:

- Two-thirds of surveyed companies expect gross revenues to grow over the next year, although that has steadily declined since mid-2021

## This overall positive sentiment carried over to their outlook on expansion:

- Three-quarters expect to move into new domestic markets
- Two-thirds plan to make an acquisition or introduce a new product or service

## The data behind the findings

### STRONG PERFORMANCE CONTINUES

Employment growth

5.2% → 18.5%  
2021 (Q2) 2022 (Q2)

Revenue growth

13.4 → 16.5%  
2021 (Q2) 2022 (Q2)

Companies who say their performance has improved over the past year

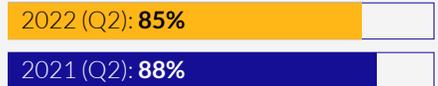
76% → 78%  
2021 (Q2) 2022 (Q2)

Companies who say they are doing better than before the pandemic

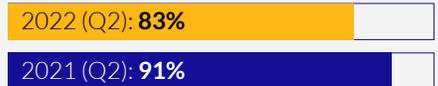
73% → 80%  
2021 (Q2) 2022 (Q2)

### CONFIDENCE IN THE ECONOMY

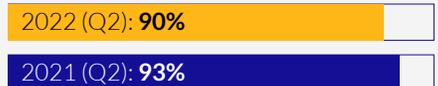
Global economy



National economy



Local economy



### REVENUE EXPECTATIONS

In Q2 2021, 73% expected revenue to grow – now it is:

67%

### IN THE NEXT YEAR, MIDDLE MARKET FINANCIAL SERVICES COMPANIES EXPECT TO

Expand into new domestic markets

76%

Introduce a new product or service

66%

Make an acquisition

66%

KEY FINDINGS

# 02 Inflation, workforce lead concerns for middle market financial services companies

Inflation has become the top concern for middle market financial services companies in 2022, even though the sector as a whole has experienced a net positive impact from it so far.

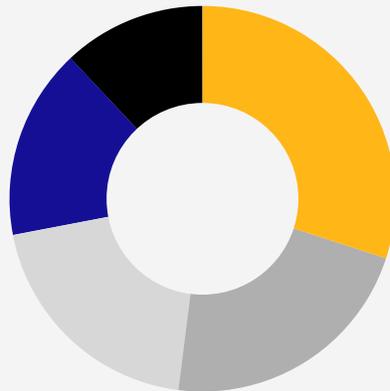
- Many of these companies benefit from higher revenue on products, such as loans, or investment income related to higher interest rates.
- However, inflation drives up replacement costs of assets covered by insurance, and most firms in this sector recognize it. As a result, over three-quarters of them will consider increasing coverage amounts to compensate for inflation.

To compensate, many companies have taken steps such as having employees work longer hours or slowing down productivity or sales, which may increase the likelihood of burnout or costly mistakes.

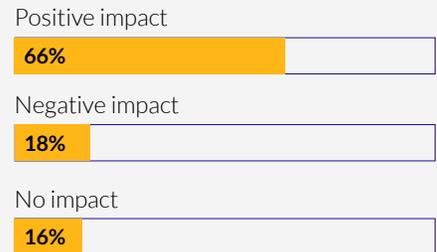
## The data behind the findings

### BIGGEST CONCERNS FACING MIDDLE MARKET FINANCIAL SERVICES COMPANIES:

- Inflation **30%**
- Workforce **22%**
- Supply chain **20%**
- Climate change **16%**
- Geopolitical stability **12%**



### HOW COMPANIES HAVE BEEN IMPACTED BY INFLATION



### INSURANCE IMPACTS OF INFLATION



### ADDRESSING WORKFORCE CHALLENGES

As their hiring rises, these firms are challenged with finding and retaining talent with the right skills, especially digital skills:

**77%**

of companies see significant/substantial impact from digital skills gap

Due to workforce/hiring issues companies have experienced:



KEY FINDINGS

# 03 Navigating key risks remains challenging

Middle market financial services companies find inflation risk and legal, regulatory and compliance risk particularly challenging to manage.

Some risk areas have increased significantly in the past year, including supply chain, competitive, and change in leadership/control risks, the latter due to these firms' appetite for mergers and acquisitions.

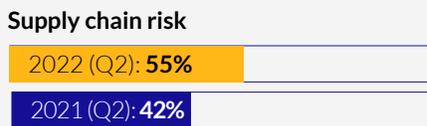
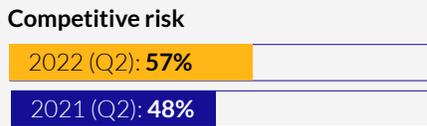
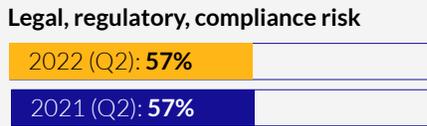
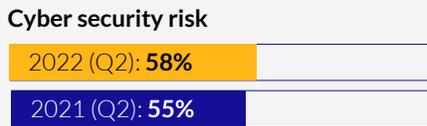
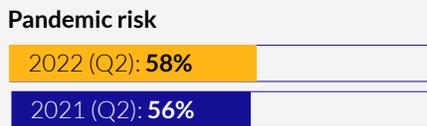
Most middle market financial services companies experienced non-pandemic disruptions in the past two years, and more than a third acknowledged that they could have been covered if they had purchased available insurance.

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

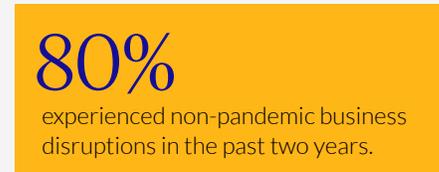
Middle market companies and their insurance partners can rely on Chubb to provide specialized risk engineering services and helpful tools to evaluate and mitigate exposures and develop customized insurance coverages that offer essential protection.

## The data behind the findings

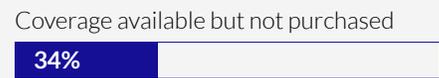
### COMPANIES FINDING RISKS EXTREMELY/VERY CHALLENGING TO MANAGE:



### ROLE OF INSURANCE IN DISRUPTIONS



Key losses covered or could have been:



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

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

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

[Financial services insurance](#)

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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).