

The CHUBB logo is displayed in a white, bold, sans-serif font. The letters are widely spaced, and a registered trademark symbol (®) is located at the top right of the final letter 'B'.

CHUBB®

MIDDLE MARKET INDICATOR: MID-YEAR 2023

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.

01 Performance and outlook remain strong for Middle Market companies

Despite a challenging environment, middle market companies maintained double-digit growth in the first half of 2023

- Nearly three-fourths of responding companies improved their overall performance over the past year, an all-time high for the survey
- Mean revenue growth and employment growth fell slightly from pandemic-era highs, although less than companies foresaw at year-end
- Most of the employment growth decline came from companies with less than \$100 million in revenues, while employment growth at larger companies continued to increase
- On average, companies expect revenue growth to fall further and employment growth to remain steady over the next year

Economic confidence leveled off after sharp swings in the past two years

- Overall, confidence has improved from a year ago, when inflation was surging, but is significantly lower than mid-2021, when the Covid-19 vaccine fueled optimism

Expansion outlook improves in several areas

- After leveling off over the past year, companies planning to introduce a new product or service and expand into new domestic markets in the next year have increased

Artificial intelligence (AI) and the bank failure crisis dominated business headlines in the first half of the year

- While AI technology is still in its early stages, a solid majority of companies recognize new technologies as critical to their organization and are taking some action to adopt them
- Two-thirds of companies showed a significant level of concern from the banking crisis, and nearly a third either purchased more FDIC coverage or split money across different banks

THE DATA BEHIND THE FINDINGS

Growth cools slightly

Mean revenue growth



Projection (next 12 months): **9.6%**

65% of companies expect to increase revenue

Mean employment growth



Projection (next 12 months): **10%**

60% of companies expect to increase employment

Companies improving their performance over the past year



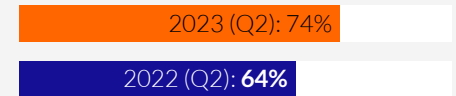
Expansion plans in next year

Introduce a new product/service

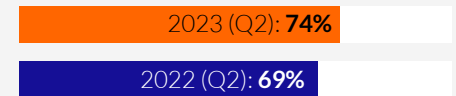
68% +7 from Q2 2022

Confidence in the economy

Global economy



National economy



Local economy



Expand into new domestic markets

62% +5 from Q2 2022

Trending topics

Artificial intelligence (AI)

Importance to organization
62% extremely/very

Adoption levels

- **30%** testing/using
- **38%** exploring/trying it out

Banking crisis

Level of concern
67% a lot/some

Top responses

- **30%** purchase additional FDIC coverage
- **30%** split money across different banks

02 Inflation, workforce challenges lead concerns for Middle Market companies

Inflation remained the biggest concern for middle market companies in the first half of 2023

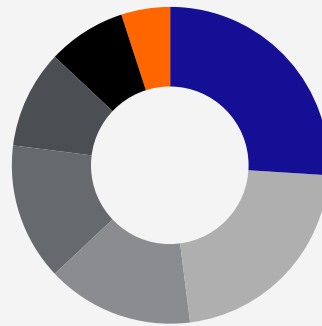
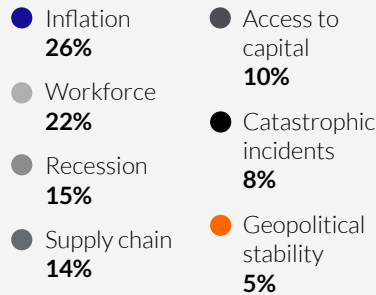
- Inflation drives up replacement costs of assets covered by insurance, which nearly three-fourths of companies have experienced
- An expanding majority of firms say inflation has impacted their ability to replace covered assets with their existing coverage
- As a result, more than three-fourths of middle market companies will consider increasing coverage amounts to compensate for inflation, particularly financial institutions

As recession and supply chain fears have receded, workforce issues have become the second major concern

- Companies expecting talent management challenges in the next year jumped higher in the first half, matching the survey's all-time high in 2018
- Employee recruitment and retention led the concerns, although responses increased for every aspect of talent management

THE DATA BEHIND THE FINDINGS

Biggest concerns facing middle market firms



Insurance impacts of inflation

72%

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

Percentage by industry segment:

- **87%** of Financial Institutions
- **80%** of Technology Companies
- **77%** of Manufacturing Companies
- **63%** of Life Sciences Companies

59%

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

76%

+7 from Q4 2022

will consider increasing coverage amounts

Workforce challenges rise

54%

of middle market companies expect to face challenges managing their talent in the next year, **up from 48% at year-end**

Top areas of concern:

- **19%** Staffing/hiring/talent acquisition/recruitment
+4 from Q4 2022
- **15%** Employee retention/turnover
+4 from Q4 2022
- **10%** Experienced/qualified workforce; competition for talent
+1 from Q4 2022

03 Risk management challenges align with top business concerns

Inflation is the top risk management challenge for middle market companies.

Companies are still grappling with inflation, affecting almost all of their costs. This is especially critical as companies note aging infrastructure and often-related catastrophic incident concerns affecting insurance purchasing decisions.

With rising severe-weather disaster damages and increasing construction costs, companies have to be prepared for rebuilding and keeping business operations running in the case of a catastrophic event or impacts from aging infrastructure.

More than 40% of companies are not well prepared to manage more basic disruptions, such as catastrophic incidents and prolonged power outages.

Additionally, risk prevention strategies can often help in minimizing or preventing damage from occurring in the first place. IoT solutions, such as water shutoff valves, can prevent water damage to properties, while specialized risk assessments can help identify and manage severe weather and other climate-related exposures.

This dynamic risk environment makes it critical for middle market companies to review the adequacy of their insurance coverage and risk mitigation programs with their insurance agents and brokers.

THE DATA BEHIND THE FINDINGS

Middle market firms finding risk extremely/very challenging to manage

Inflation risk

2023 (Q2): **60%**

2022 (Q2): **63%**

Supply chain risk

2023 (Q2): **43%**

2022 (Q2): **50%**

Recession risk*

2023 (Q2): **49%**

2022 (Q2): **60%**

*New response choice in Q4 2022

Preparedness for disruptions

(Completely/very prepared)

- **61%** Aging infrastructure
- **57%** Catastrophic incidents
- **57%** Prolonged power outage

Concerns factoring into insurance purchasing decisions

(sum of 1st, 2nd and 3rd concern rankings)

- **60%** Cybersecurity
- **52%** Infrastructure
- **47%** Catastrophic incidents (not cyber) or in some cases, natural disasters

RESOURCES TO STAY UP TO DATE ON KEY RISKS

[Chubb Cyber Insurance](#)

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

[The Impact of Climate Change](#)

[Natural Hazards and Climate Change Preparedness Physical Risk Assessment](#)

[Sensing Risk: Internet of Things \(IoT\) Solutions to Prevent Losses](#)

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](https://www.chubb.com).

Statistical data contained herein is provided by the National Center for the Middle Market unless otherwise stated. The material presented herein is not intended to provide legal or other expert advice as to any of the subjects mentioned, but rather is presented for general information only. You should consult knowledgeable experts as to any legal or technical questions you may have. Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website at www.chubb.com. Insurance provided by ACE American Insurance Company and its U.S.-based Chubb underwriting company affiliates. All products may not be available in all states. Coverage is subject to the language of the policies as actually issued. Surplus lines insurance sold only through licensed surplus lines producers. Chubb, 202 Hall's Mill Rd., Whitehouse Station, NJ 08889-1600.