



CHUBB®

MIDDLE MARKET INDICATOR: MID-YEAR 2023

# Financial Services

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 the Financial Services segment.

# 01 Growth turns up for middle market financial services companies

The continuing success of the middle market overall means strong performance for middle market financial services firms, from banks to asset managers to insurers

- Mean revenue growth, employment growth and overall performance rebounded from their dip at year-end
- More than three-quarters of these companies expect revenue to grow in the next year, resulting in overall mean growth of nearly 17%
- Higher revenue and wage growth puts more business income at risk from an insured loss

Economic confidence remains high but lower than year-end

- Confidence in the local economy held steady but declined for the national and global economies since the end of 2022
- Companies expressing confidence in the global economy fell back below the level of a year ago

Companies are more optimistic about expansion opportunities

- More than 80% of middle market financial services companies expect to introduce a new product or service and expand into new domestic markets in the next 12 months, while those planning to bring in new equity investment and open a line of credit in the year ahead were significantly higher than in mid-2022

Artificial intelligence (AI) is already at work in many financial services companies

- While AI technology is still nascent, most middle market financial services companies recognize how important new technologies are to their organization, and more than two in five of these companies are already using or testing them

## THE DATA BEHIND THE FINDINGS

Strong double-digit growth continues

### Mean revenue growth



Projection (next 12 months): **16.9%**

**79%** of companies expect to increase revenue

### Mean employment growth



Projection (next 12 months): **15.4%**

**70%** of companies expect to increase employment

### Companies improving their performance over the past year



Confidence in the economy

### Global economy



### National economy



### Local economy



Expansion plans in next year

Introduce a new product or service

**83%** +17 from Q2 2022

Expand into new domestic markets

**81%** +5 from Q2 2022

Bring in new equity investment

**75%** +6 from Q2 2022

Open a line of credit

**71%** +6 from Q2 2022

Trending topic

### Artificial intelligence (AI)

Importance to organization

**80%** extremely/very

Adoption levels

- **44%** testing/using
- **34%** exploring/trying it out

# 02 Middle market financial services companies view inflation, workforce and recession as top concerns

Inflation remained the biggest concern, even though the financial services sector overall has seen a net positive impact from it

- Many of these companies benefit from higher revenue on loans or investment income related to higher interest rates
- However, this net positive impact has dwindled over the past year
- Most financial services companies recognize that inflation drives up replacement costs of assets covered by insurance, and as a result, will consider increasing coverage to compensate for inflation

Workforce concerns moved higher for middle market financial services companies

- Respondents ranked workforce aspects among the most difficult to navigate in the current environment

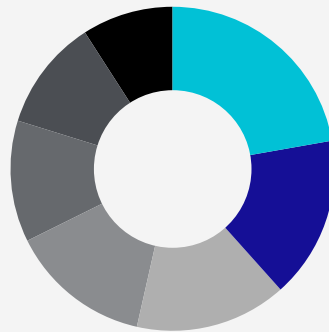
The bank failure crisis was a more acute concern for these companies

- Given their connections to the sector, more than 80% of middle market financial services companies expressed concern over the banking crisis and took appropriate actions – nearly 20 points higher than middle market companies overall

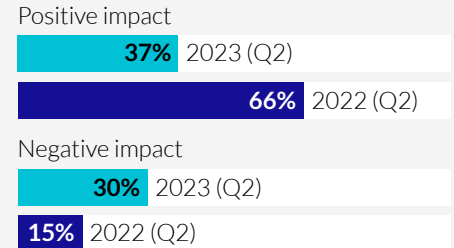
## THE DATA BEHIND THE FINDINGS

### Biggest concerns facing middle market financial services firms

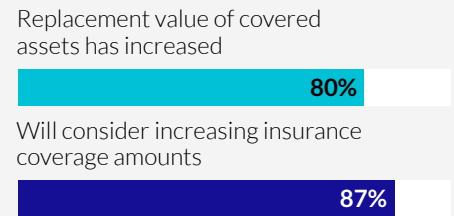
- Inflation **22%**
- Workforce **16%**
- Recession **15%**
- Access to capital **14%**
- Supply chain **12%**
- Catastrophic incidents **11%**
- Geopolitical stability **9%**



### Inflation impacts



### Inflation's insurance impacts



### Workforce challenges

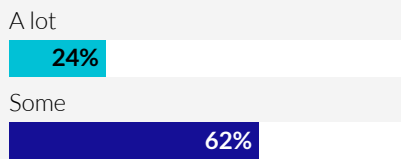
#### Most difficult aspects of running your business in the current environment (first mentions)

- **12%** Maintaining employee communication, engagement, and productivity
- **12%** Working capital management/cash
- **11%** Skills gap or workforce constraints
- **11%** Ensuring we stay current with our technology and digital solutions

### Trending topic

#### Views on banking crisis

##### Level of concern



**82%** took some action

##### Response actions



# 03 Risk management challenges align with top business concerns

## Inflation remained the biggest concern for middle market financial services companies

Taking a proactive approach to reducing exposures and preventing losses can help control the cost of these risks. For example, instead of delaying projects or conserving cash due to inflation and recession concerns, it may make sense to implement capital improvements, such as replacing roofs.

Cyber challenges are playing a prominent role in financial services companies' insurance purchasing decisions. Understanding potential cyber threats, taking steps to reduce them, and if necessary, transferring risk through insurance, offer the best chance of avoiding or recovering from a cyber event.

## Internet of Things (IoT) capabilities offer solutions for managing key risks

Another area weighing into insurance purchasing decisions relates to infrastructure and often-related catastrophic incidents. 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.

Companies can benefit from IoT solutions, such as water shutoff valves, as well as risk assessments surrounding business continuity planning efforts to minimize exposures.

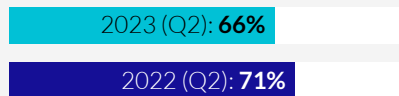
Two-thirds of middle market financial services companies experienced non-pandemic disruptions in the past two years, and more than a third recognized that they could have been covered for operational disruption if they had purchased available insurance.

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.

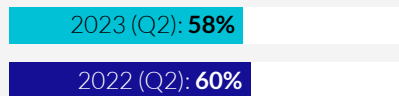
## THE DATA BEHIND THE FINDINGS

### Middle market financial services firms finding risks extremely/very challenging to manage

#### Inflation risk

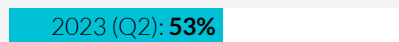


#### Recession risk\*



\*New response choice in Q4 2022

#### Talent shortage/retention\*\*



\*\*New response choice in Q2 2023

### Concerns factoring into insurance purchasing decisions

(first mentions)

- **31%** Cybersecurity
- **15%** Catastrophic incidents (not cyber) or in some cases, natural disasters
- **14%** Infrastructure
- **13%** Workforce

### Role of insurance in disruptions

**66%** experienced non-pandemic business disruptions in the past two years

Key losses covered or could have been:

#### Operational disruption

Covered



Coverage available but not purchased



#### Strategic disruption

Covered



Coverage available but not purchased



## RESOURCES TO STAY UP TO DATE ON KEY RISKS

[Cyber Insurance](#)

[Insurance for Financial Institutions](#)

[Protect Your Business From Cyber Threats in a Remote Environment](#)

[Economic Forces Impact Commercial Property Replacement Costs](#)

[Catastrophic weather impacts on businesses](#)

[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).

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