



CHUBB®

MIDDLE MARKET INDICATOR: MID-YEAR 2023

# Life Sciences

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 Life Sciences segment.

# 01 Strong growth continued for middle market life sciences companies, but their outlook dims

## While middle market life sciences companies maintained double-digit growth in the first half of 2023, their optimism is fading

- Almost half following boom times for this sector from the pandemic, mean revenue growth cooled slightly, but is expected to decline significantly over the next year to about half its actual level at the end of 2022
- After hitting a pandemic-era high at year-end, mean employment growth dropped in the first half – but remained above the mid-2022 reading – and is expected to fall further in the coming year
- Far fewer companies noted that their performance improved in the past 12 months, compared to the mid-2022 survey

## Economic confidence declined

- Confidence in the global, national and local economies dropped below their levels of a year ago
- Global and national economic confidence fell significantly after spiking at year-end

## Views on expansion opportunities align with dimmer outlook

- While the pandemic provided these companies many opportunities to introduce innovative products and solutions and grow their geographic footprint, all of the top areas that they plan to expand in the coming year are lower than a year ago – some sharply

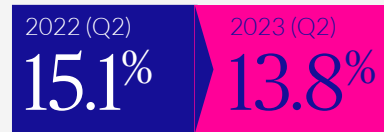
## Artificial intelligence (AI) and the bank failure crisis were prominent in business headlines

- While AI technology is still in its early stages, more than two-thirds of middle market life sciences companies recognize it as critical to their organization and three-quarters are taking some action to adopt new technologies like AI
- Three-quarters of companies showed a significant level of concern from the banking crisis, prompting a third or more to either split money across different banks or purchased more FDIC coverage

### THE DATA BEHIND THE FINDINGS

#### Growth begins slowing

##### Mean revenue growth



Projection (next 12 months): **7.9%**

**48%** of companies expect to increase revenue

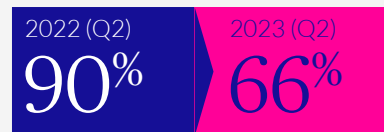
##### Mean employment growth



Projection (next 12 months): **12.7%**

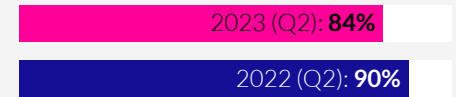
**52%** of companies expect to increase employment

#### Companies improving their performance over the past year

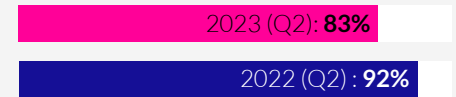


#### Confidence in the economy

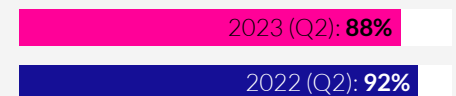
##### Global economy



##### National economy



##### Local economy



#### Expansion plans in next year

Introduce a new product or service

**66%** -9 from Q2 2022

Expand into new international markets

**64%** -1 from Q2 2022

Bring in new equity investment

**63%** -14 from Q2 2022

Expand into new domestic markets

**59%** -20 from Q2 2022

#### Trending topic

##### 🤖 Artificial intelligence (AI)

Importance to organization

**69%** extremely/very

Adoption levels

- **31%** testing/using
- **45%** exploring/trying it out

##### 🏦 Banking crisis

Level of concern

**75%** a lot/some

Top responses

- **41%** split money across different banks
- **33%** purchase additional FDIC coverage

# 02 Top business concerns shift for Middle Market life sciences companies

## As supply chain fears faded, workforce and recession ranked as most concerning for these companies

- Most life sciences companies are challenged by finding employees with the right skills and nearly all note that digital skills will be crucial to their success in the next few years
- As a result of these talent shortage and hiring issues, more than two in five companies are continuing to have employees work longer hours or more shifts

## Recession concerns have increased

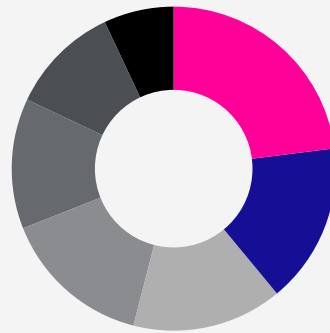
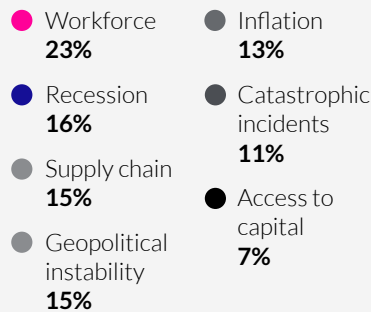
- Although a potential recession has become more of a concern to middle market life sciences companies, they believe they would experience a net positive impact from it
- As these companies contemplate a recession scenario, their response strategies would center around raising capital, conserving cash, and delaying the introduction of new products or services

## Supply chain concerns eased

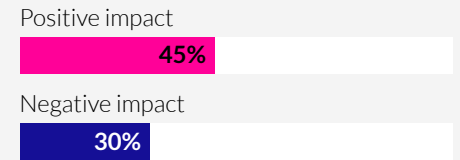
- After peaking at year-end, middle market life sciences companies' concerns about supply chain issues and difficulty managing them receded significantly in the first half of 2023

### THE DATA BEHIND THE FINDINGS

#### Biggest concerns facing middle market life sciences companies



#### Views on potential recession



#### Top expected responses to a recession



#### Addressing workforce challenges

# 78%

Challenged\* by finding/hiring employees with the right skills

\*extremely/very challenged/somewhat challenged

# 99%

Talent with digital skills will be critical/important to our success in next two to three years

# 42%

Employees working longer hours/more shifts due to talent/hiring issues

# 03 Risk management challenges reflect top business concerns

## Talent and public health concerns led risk management challenges for middle market life sciences companies

Life sciences companies are finding it harder to hire and retain employees, making it their top risk management challenge. Additionally, workforce is top of mind as these companies consider their insurance purchasing decisions.

Cybersecurity is also a key factor in their insurance strategies. Cyber disruptions caused major revenue impacts for life sciences companies, and more than half that experienced these disruptions acknowledged that they could have been covered for them if they had purchased available insurance. Understanding potential cyber threats, taking steps to reduce them, and if necessary, transferring risk through insurance, can help companies avoid or recover from a cyber event.

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

Additionally, infrastructure and often-related catastrophic incident concerns weigh into insurance purchasing decisions for about half of these companies. Increases in frequency, severity, and diversity of severe weather and natural catastrophes caused by climate change – including wildfires, drought/heat waves, tornadoes, hurricanes, and flooding – all have an impact on operations and the bottom line.

Companies can benefit from IoT solutions, such as water shutoff valves, and life sciences companies in particular can minimize such risks as temperature control and product contamination by taking advantage of Chubb's risk assessment expertise that emphasizes business continuity planning.

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

### Companies finding risks extremely/very challenging to manage

#### Talent shortage/employee retention\*

2023 (Q2): 56%

#### Increasing public health concerns targeting common products and processes\*

2023 (Q2): 52%

#### Inflation

2023 (Q2): 51%

2022 (Q2): 58%

#### Competitive risk

2023 (Q2): 51%

2022 (Q2): 58%

\*New response choice in Q2 2023

### Concerns factoring into insurance purchasing decisions

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

- 61% Workforce
- 60% Cybersecurity
- 52% Infrastructure
- 47% Catastrophic incidents (not cyber) or in some cases, natural disasters

### Role of insurance in disruptions

82% experienced non-pandemic business disruptions in the past two years

Key losses covered or could have been:

#### Cyber disruption

Covered

31%

Coverage available but not purchased

52%

39% mean negative revenue impact from cyber disruptions

#### Operational disruption

Covered

55%

Coverage available but not purchased

26%

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

[Insurance for Life Sciences Companies](#)

[Cyber Insurance](#)

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

[The Impact of Climate Change](#)

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

[Using IoT Water Sensors to Protect the Vital Work of Life Sciences Companies](#)

## 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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