

The background features a dark blue field with vibrant green, glowing, wavy lines that resemble fiber optic cables or data paths. Interspersed among these lines are small, glowing green spheres of varying sizes, some appearing as if they are floating or moving through the space. The overall aesthetic is futuristic and technological.

CHUBB®

MIDDLE MARKET INDICATOR: MID-YEAR 2023

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 the Technology segment.

01 Strong performance continues for the middle market technology sector

Middle market technology companies maintained their robust growth in the first half of 2023

- Mean revenue growth returned to year-ago levels after dipping slightly in the second half of 2022
- While larger tech companies have experienced layoffs, hiring at middle market tech companies picked up in the first half of the year
- Higher revenue and wage growth put more business income at risk from an insured loss

Economic confidence held gains from year-end

- Confidence in the economy at all levels remained steady after a sharp drop in the first half of 2022, but well below late-2021 readings at the global and national levels

Expansion outlook brightens again

- The top opportunities for expansion for these companies moved well ahead of their mid-2022 levels, reversing their significant decline at year-end
- Views on expanding into new domestic markets and bringing in new equity investment jumped more than 10 points from a year ago

The bank failure crisis was a major concern for middle market technology companies

- Nearly three-quarters of these companies expressed concern from the crisis, significantly higher than middle market companies overall
- In response, a third of them either purchased more FDIC coverage or split money across different banks

THE DATA BEHIND THE FINDINGS

Growth remains robust

Mean revenue growth



Projection (next 12 months): **13.5%**

72% of companies expect to increase revenue

Mean employment growth



Projection (next 12 months): **13.1%**

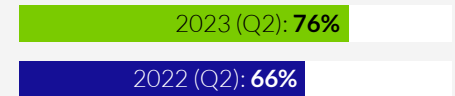
61% of companies expect to increase employment

Companies improving their performance over the past year

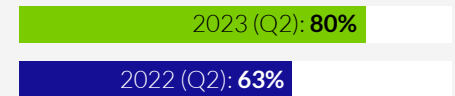


Confidence in the economy

Global economy



National economy



Local economy



Expansion plans in next year

Introduce a new product or service

79% +5 from Q2 2022

Expand into new domestic markets

72% +13 from Q2 2022

Bring in new equity investment

64% +11 from Q2 2022

Open a line of credit

60% +5 from Q2 2022

Trending topic

Banking crisis

Level of concern
74% a lot/some

Top responses

- **34%** purchase additional FDIC coverage
- **34%** split money across different banks

02 Middle market technology companies view inflation, recession as major concerns

Inflation continues to cause the most concern for these companies

- Whether they are affected negatively or positively by inflation, wages and salary are noted as having the most impact
- Most of these companies recognize that inflation also drives up replacement costs of assets covered by insurance, and will consider increasing insurance coverage amounts

Possible recession has become a key concern

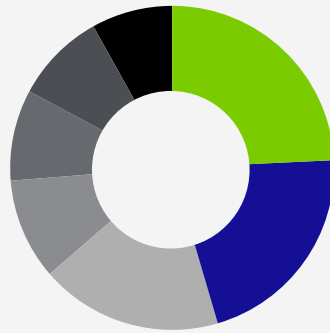
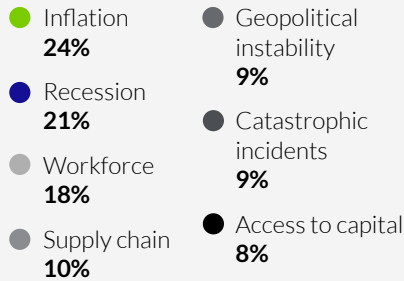
- More middle market technology companies expect a positive impact from a potential recession, as they would provide products and solutions to support accelerated digitization efforts for all types of organizations
- Tech companies' own recession response strategies would include cutting expenses, conserving cash and investing more heavily in digital transformation

Artificial intelligence (AI) has captured widespread attention

- Tech companies are on the leading edge of new technology adoption, with three-quarters recognizing AI as critical to their organization and taking action to put new technologies like AI into practice

THE DATA BEHIND THE FINDINGS

Biggest concerns facing Middle Market technology firms



Insurance impacts of inflation

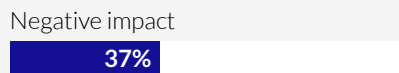
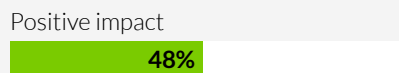
78%

replacement value of covered assets has increased due to inflation

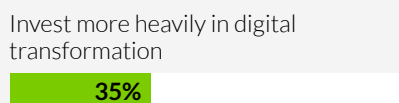
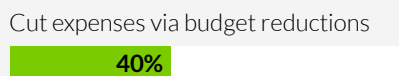
80%

will consider increasing coverage amounts to compensate for inflation

Views on potential recession



In a recession, companies would:



Trending topic

🤖 Artificial intelligence (AI)

Importance to organization

77% extremely/very

Adoption levels

- 39% Testing/using
 - 25% Actively testing/using for business needs
 - 14% Already using and embedded into business
- 36% Exploring/trying it out
- 25% Learning/discovery

03 Top risk management challenges increase

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

Inflation is not only these companies' top business concern but also their leading risk management challenge—one that has increased significantly in the past year. Higher revenues, employee compensation and many operating costs, combined with the increasing likelihood of catastrophic incidents and resulting costs to recover, mean more is at risk if they experience a loss.

Taking proactive steps to reduce exposures can help control costs in the long term. For example, it may make sense to replace roofs or aging infrastructure, which the majority of technology companies noted as a key factor in their insurance purchasing decisions.

Internet of Things (IoT) solutions can help control key risks

With rising severe weather damages and 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. 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.

Cyber challenges also play a prominent role in technology companies' insurance strategies. 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.

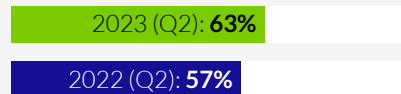
More than three-quarters of middle market technology companies experienced non-pandemic disruptions in the past two years, led by strategic disruptions, which a third of technology companies acknowledged they could have insured against if they had purchased available coverage.

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

Inflation risk

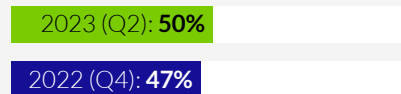


Talent shortage/retention*



*New response choice in Q2 2023

Recession risk **



**New response choice in Q4 2022

Concerns factoring into insurance purchasing decisions

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

- 72% Cybersecurity
- 63% Workforce
- 62% Infrastructure
- 45% Catastrophic incidents (not cyber) or in some cases, natural disasters

Role of insurance in disruptions

78% experienced non-pandemic business disruptions in the past two years

51% impacted by strategic disruptions*

*Industry consolidation, regulations/economic conditions, customer/supplier going out of business, change in ownership, etc.

Key losses covered or could have been:

Strategic disruption

Covered



Coverage available but not purchased



RESOURCES TO STAY UP TO DATE ON KEY RISKS

[Cyber Insurance](#)

[Insurance for Technology Companies](#)

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

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

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

[Impact of Digital Business Trends in the Workplace](#)

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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