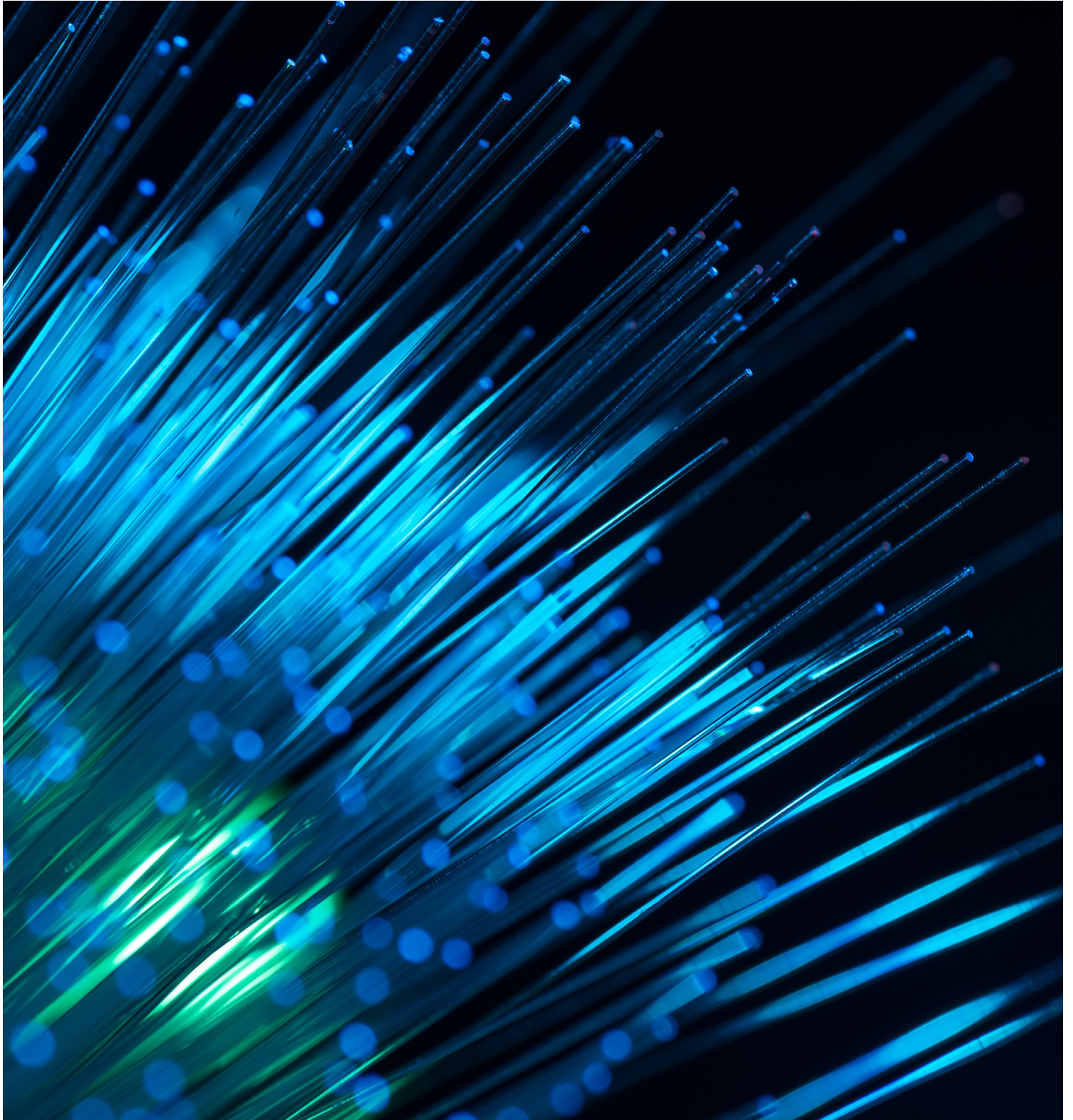


Middle Market Indicator

Performance, Outlook and Dynamics

Spring 2025



CHUBB®


NATIONAL CENTER FOR
THE MIDDLE MARKET

About this Report

Chubb partners with the National Center for the Middle Market (NCMM) to support the Middle Market Indicator (MMI), a semi-annual research survey launched in 2012.

Methodology

The MMI polls 1,000 executives (CEOs, CFOs, and other financial decision-makers) from middle market companies with \$10 million to \$1 billion in annual revenue.

This report presents results from the MMI survey fielded in December of 2024, which explored executives' thoughts on business performance, growth drivers, economic outlook, business risks and managing risk. These insights help middle market companies and insurance partners understand evolving trends.

"The U.S. middle market is a powerful engine of economic growth, job creation and innovation. Our seven-year partnership with the National Center for the Middle Market deepens our insights into this vital business segment. Chubb is proud to support middle market businesses with scalable solutions that address their evolving risks across the U.S. and around the globe."



Ben Rockwell
SVP, Chubb Group
Division President, Chubb Middle Market

Key Findings

01

Following robust revenue and workforce growth in 2024, middle market executives are considering future market conditions and economic trends.

02

Inflation, cyber-attacks and talent shortages are the greatest risks to companies. Fewer companies felt confident in their ability to deal with disruptions.

03

Climate risk, particularly extreme weather disruptions, is a major concern of companies. Some proactive companies are taking steps to mitigate climate threats, but more action is needed to build resilience.

04

Companies are working to capture the advantages of digitization and AI, even as many struggle to formulate a clear strategy for their technological future.

05

A substantial number of companies view their overall insurance as insufficient for their current risks.

06

Companies are investing in risk assessment, employee training and risk identification and mitigation, while relying heavily on their agents and brokers to manage risk.

Core Market Trends

As of December 2024, middle market companies grew revenues, expanded their businesses and workforce, and considered the future of the economy.

Revenue Growth

Total middle market growth was 12.1%. Companies anticipate continued revenue growth, albeit at a slower rate (8.9%) in 2025.

Middle Market Mean Revenue Growth

Q4 2024	12.1%
Q4 2023	12.4%
Q4 2022	12.2%

Mean Revenue Growth By Sector

Sector	December 2024	December 2023
Financial Services	15.5%	15.2%
Technology	13.8%	14.1%
Life Sciences	13.3%	10.2%
Manufacturing	10.9%	11.5%
Business Services	12.8%	12.6%
Retail	13.5%	10.7%
Healthcare	13.1%	14.7%

Confidence in the Economy

As executives looked ahead in December 2024, their confidence in the economy was high, particularly for local and national markets. Confidence in the local economy was up five points and the national economy up six points from mid-year 2024.

High Confidence in the Economy

Global Economy	75%
National Economy	84%
Local Economy	90%



Workforce Operations

Employment growth also remained high and consistent year-over-year. Nearly two-thirds of companies increased their workforce, with 44% reporting headcount growth of 10% or more.

Projected Employment Growth By Sector

Sector	Increase	Stay the Same	Decrease
Financial Services	66%	31%	3%
Technology	71%	27%	2%
Life Sciences	73%	27%	0%
Manufacturing	70%	27%	3%
Business Services	72%	25%	3%
Retail	65%	32%	3%
Healthcare	63%	35%	2%
Total Middle Market	62%	34%	4%

Expansion rebounded in 2024 as more companies launched new offerings, entered new markets compared to the recent past.

Spotlight: Lower Middle Market

Mean revenue growth for Lower Middle Market companies was 11.3% at year-end 2024, down slightly from 11.5% a year ago. Workforce growth was 8.4%, compared to 8.6% a year ago.

Lower Middle Market in the survey is defined as \$10M - \$50M in annual revenue.

International Expansion

Companies across multiple sectors expanded into new international markets and expect to keep expanding in the year ahead. As they prepare to lead their companies into new territories around the globe, executives are aware of the uncertainty created by geopolitical issues and fluctuating regulatory and economic environments.

“It’s exciting to see middle market companies entering new territories around the globe. As they expand internationally, these companies must navigate new and different insurance laws, rules and regulations. Having a multinational insurance partner that can easily grow with them and provide underwriting and claims services locally is critical to keeping middle market companies well informed and well protected.”



Tim Benson
EVP, Multinational Insurance Leader

Percentage of Companies Expanding Internationally By Sector

	 Financial Services	 Manufacturers	 Life Sciences	 Technology	 Retail	 Services/ Business Services	 Healthcare
2023	33%	10%	34%	28%	23%	21%	8%
2024	47%	26%	54%	24%	20%	27%	10%
2025 forecast	38%	49%	63%	52%	35%	47%	23%

Challenges in Focus

While the survey revealed growth, it also illuminated concerns about numerous and diverse challenges.

Sectors emphasized their top risk concerns, bringing regulatory compliance, supply chains, and technology and digitization to the forefront.

When executives considered more than a dozen risks, three emerged as most pressing:

- Inflation/recession (41%)
- Cybersecurity (34%)
- Talent shortages/employee retention (33%)

Financial Services



Inflation/Recession 42%
Cybersecurity 41%
Regulatory/Compliance Risk 27%

Manufacturing



Inflation/Recession 48%
Talent Shortage/Employee Retention 40%
Supply Chain Risk 37%

Healthcare



Regulatory/Compliance Risk 40%
Inflation/Recession 39%
Cybersecurity 36%

Retail



Inflation/Recession 35%
Supply Chain Risk 32%
Talent Shortage/Employee Retention 26%



Life Sciences



Cybersecurity 41%
Digitization and Technology Advancement 39%
Regulatory/Compliance Risk 27%

Services/Business Services



Cybersecurity 51%
Inflation/Recession 39%
Digitization and Technology Advancement 30%

Technology



Cybersecurity 46%
Inflation/Recession 36%
Digitization and Technology Advancement 30%

Climate and Resilience

With climate change on the radar, some companies are tackling the risks, but more work remains to be done.

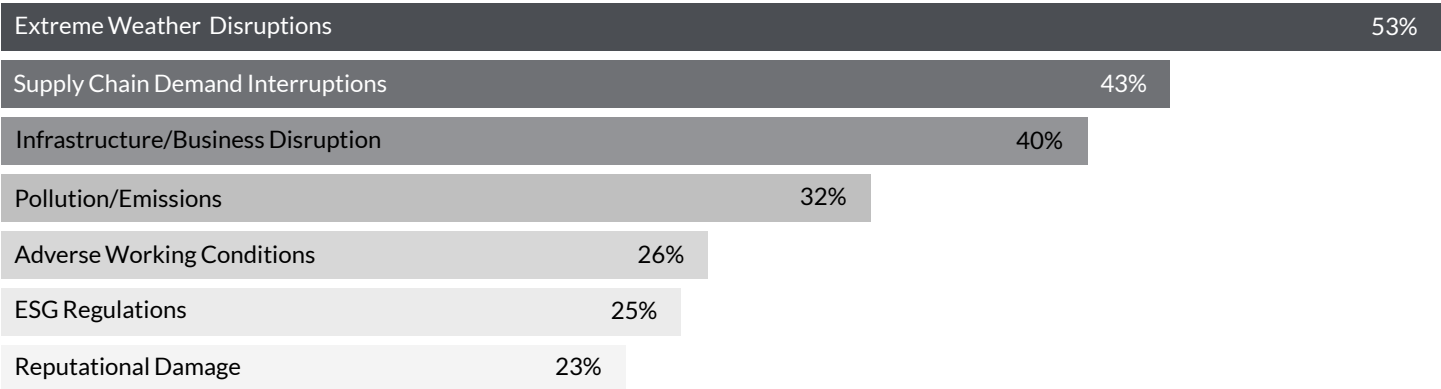
Nearly half (45%) of companies are extremely or very concerned about the impact of climate change. Another 36% report mild concern.



30%

of companies report that climate risks are affecting where they manufacture, distribute and market products in North America.

Top Concerns Associated with Climate Risk



“Understanding the near- and long-term physical climate risks are vital to a business’s ongoing success. By identifying these evolving risks, organizations can plan, adapt, mitigate and improve resilience in the face of frequent and extreme weather events.”

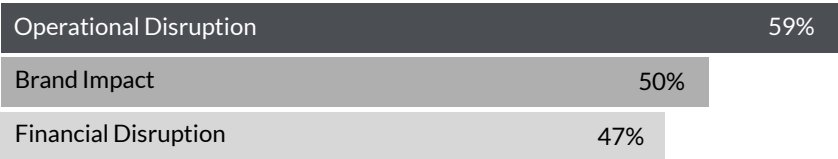


Matthew McMullin
Executive Vice President
Global Climate and Energy Practice Leader



One in five firms were impacted by natural disasters in 2024, and these events continue to become more frequent and severe due to climate changes. More than half of companies impacted reported significant or moderate operational disruptions from these events.

Significant or Moderate Disruption from Natural Catastrophes



“With the increased frequency of natural catastrophe and severe weather events, we’ve seen a substantial rise in the impact of secondary catastrophe perils. Flooding, for example, has become widespread, with devastating impacts in territories far from FEMA flood zones. At a time that necessitates new thinking about property insurance, data driven underwriting tools are advancing to support better understanding of a company’s potential risk.”

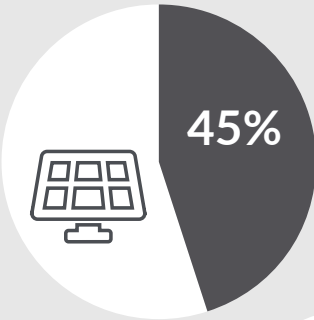


David Blevins
Executive Vice President
Commercial Insurance Property Manager

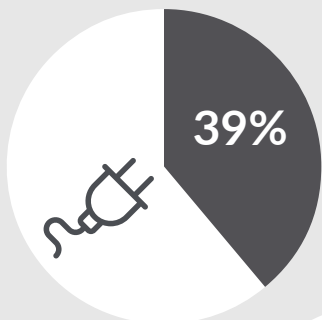
55% said their natural catastrophe-related financial losses were covered by insurance.

Companies are taking steps to mitigate climate risk, 56% reported that they meet with their broker on a monthly or quarterly basis to adjust and assess insurance needs. Companies are also deploying a variety of technologies to mitigate their carbon footprint or emissions profile, including:

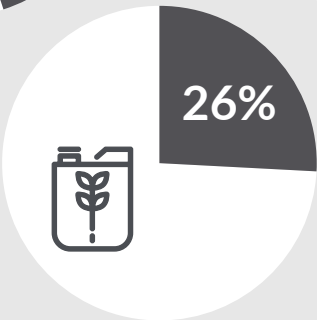
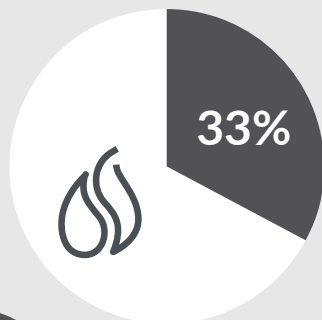
Renewable & Solar Energy



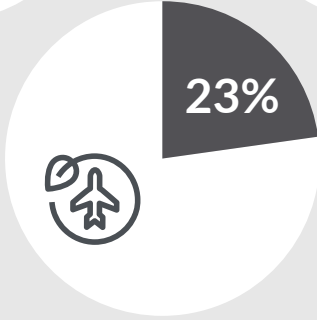
Electric & Hybrid Vehicle Fleets



Renewable Natural Gas



Alternative Fuels

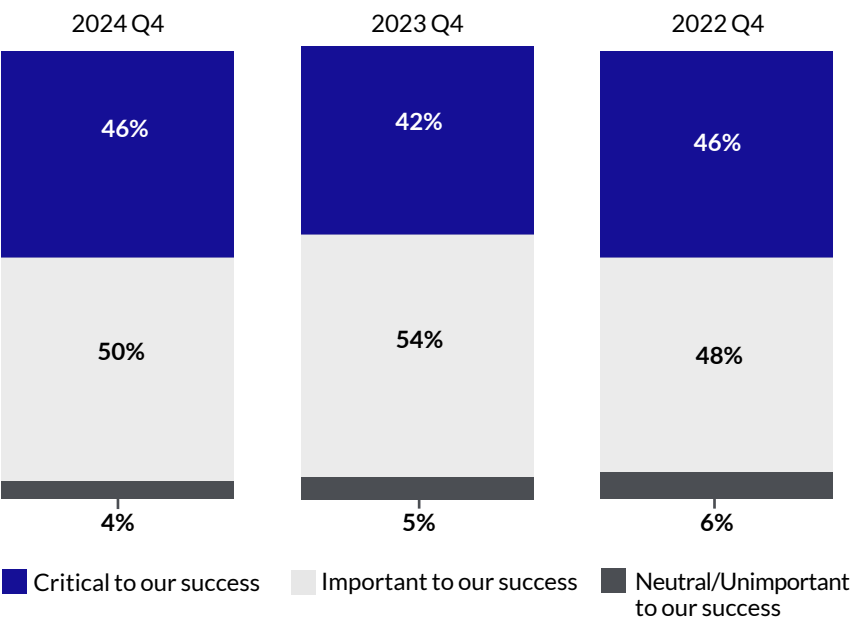


Carbon Capture & Sequestration Projects

Artificial Intelligence and Digitization

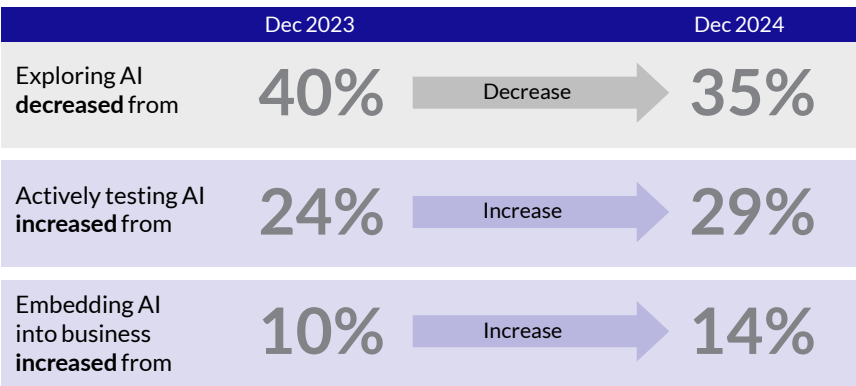
As executives strive to leverage the clear benefits of digitization and AI, many are uncertain about their future technology strategy. This could be partially due to the difficulty of recruiting the right talent.

Degree of Importance of Having Digital-Savvy Talent



Over the past year, more firms have shifted from exploring AI to actively testing AI and integrating it into their operations.

Adoption of AI



Consistent with the prior year, many firms believe digital solutions can have a positive impact on productivity (61%), cost savings (60%), time savings (51%) and customer experiences (48%). Nearly half (46%) of respondents believe it will also provide a competitive advantage.

Only 52% say they have a technology roadmap and know where they are heading.

Spotlight: Lower Middle Market

When it comes to digitization, the Lower Middle Market is consistent with its larger counterparts. Twelve percent of this segment of the market reported embedding AI into their business, compared to 6% a year ago. A key challenge is adapting to new technologies as they arise and managing budget and resources appropriately.

Most middle market businesses view digitization as extremely or very important, continuing a trend seen over the past three years.

The State of Protection

Respondents point to shortfalls in their current insurance coverage.

While many of executives say they are adequately covered by their current insurance, notable numbers report a lack of sufficient protection.

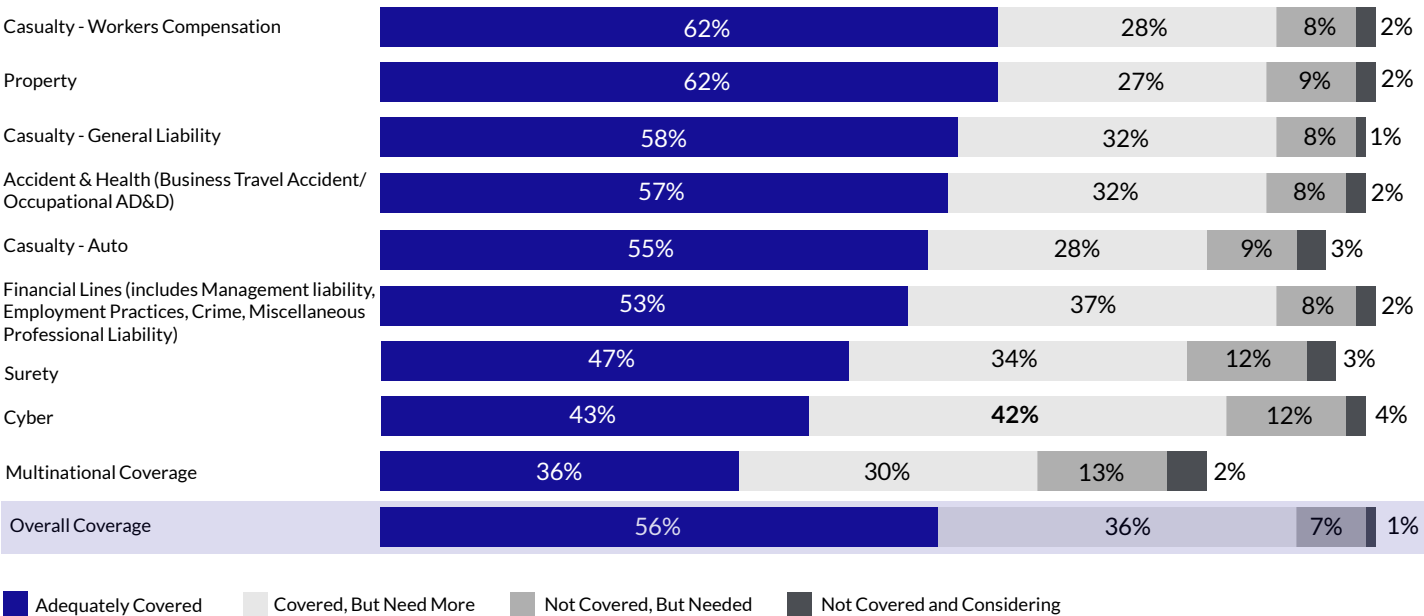
With jury awards continuing to soar, the need for comprehensive coverage in casualty areas seems especially urgent.

“Social inflation and the usage of third-party litigation funding firms continues to have a dramatic impact, driving up jury verdicts and settlements in liability lawsuits. The fact that 40% of middle market companies are aware they need more casualty insurance – or are considering more coverage – speaks to the increased recognition of this exposure among all-sized companies.”



Bennett Himes
Executive Vice President
Commercial Excess Casualty Manager

Perceptions of Insurance Coverage



56%

of companies are adequately covered.

44%

need more coverage or are not covered.

Companies are deploying multiple resources to manage risk. More than half of those surveyed are extremely or very reliant on their insurance agent or broker to support them in risk management efforts.

Leading Strategies Used to Manage Risk



85% of companies hire a third-party provider for risk assessment services. These services could range from cyber, credit, compliance and regulatory risk assessments, to supply chain and business continuity evaluations.

“To be resilient in a dynamic climate, companies have to get ahead of the risks. Future proofing a business means understanding the risks through proactive risk assessment and creating a realistic mitigation plan should the worse happen. At Chubb, we don’t look at risk in a silo, we cultivate resilience in the face of an evolving world.”



Amelie Fava Verde
Senior Vice President
North America Chubb Resilience Services



Industry Practice Spotlights

Spotlight: Technology

Top Three Risks Identified

Cybersecurity	Inflation/Recession	Digitization & Technology Advancement
46%	36%	30%

Other Noteworthy Findings

51%

of technology companies have already embedded AI in their business or are actively testing its use

57%

of technology companies expect to offer incentive compensation/bonuses to retain talent

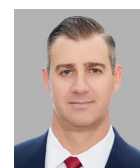
56%

of technology companies are extremely or very concerned about the impact of climate change

70%

of technology companies meet with their broker monthly or quarterly to assess and adjust coverage to mitigate climate risk

“Acceleration into technology business operations will continue to create both opportunity and challenges for infrastructure, power, manufacturing, chip design, quantum and supercomputing. AI demand and adoption is rapidly changing the risk landscape for technology companies. Ready for these broad exposures requires comprehensive resilience assessments and planning.”



Ryan France
EVP, Technology
Industry Practice Leader

Spotlight: Life Sciences



Top Three Risks Identified

Cybersecurity	Digitization & Technology Advancement	Regulatory/Compliance
41%	39%	27%

Other Noteworthy Findings

40%

of life science companies faced a cyber-related loss or litigation over the past three years; 35% had a loss related to employee fraud, theft or social engineering crime

68%

of life science companies introduced a new product or service in 2024, up from 46% the year prior

44%

of life science companies were impacted by supply chain disruptions in the past six months, compared to 29% a year ago

66%

of life science companies are deploying renewable and solar energy to mitigate climate risk

“Life sciences companies are facing increasing pressures; nearly half have reported supply chain disruptions in 2024, a significant rise from 29% last year. Rigorous climate resilience planning is essential to maintain continuity and ensure vital work continues. Leveraging business continuity planning resources can empower companies to better identify potential disruptions and develop effective mitigation strategies.”



Lee Farrow
EVP, Life Sciences
Practice Leader

Spotlight: Manufacturing



Top Three Risks Identified

Inflation/Recession	Talent Shortage/ Employee Retention	Supply Chain
48%	40%	37%

Other Noteworthy Findings

50%

of manufacturing companies are pushing greater integration of AI to prepare for the 2025 economic environment

70%

of manufacturing companies expect their employment growth to increase

34%

of manufacturing companies expect to be more concerned about D&O litigation over the next three years

31%

of manufacturing companies were impacted by supply chain disruptions/constraints in the past six months

“Manufacturers are pushing to accelerate integration of AI to drive efficiency, resilience and competitive advantage. With the adoption of AI comes new risks. By anticipating and proactively managing these risks, manufacturers can maximize the upside of new technologies for their workforce and operations.”



Michael Williams
EVP, Manufacturing
Industry Practice Leader

Spotlight:

Financial Services

Top Three Risks Identified

Inflation/Recession

42%

Cybersecurity

41%

Regulatory/Compliance

27%

Other Noteworthy Findings

76%

of financial services firms are completely or very prepared for regulatory or compliance disruptions

47%

of financial services firms anticipate expanding into new domestic markets

54%

of financial services firms expect legal expenses to rise in the next three years compared to 45% for the overall market

87%

of financial services firms use third-party services to assess risk

“With litigation risks on the rise, it’s no surprise that 54% of financial services firms expect their legal costs to grow. A strong risk management and compliance framework is essential to mitigate this exposure.”



Brendan Arnott
EVP, Financial
Institutions
Practice Leader

Spotlight:

Business Services and Retail



Top Three Risks Identified

Cybersecurity	Inflation/Recession	Digitization & Technology Advancement
51%	39%	30%

Other Noteworthy Findings

1 in 4

business services firms experienced cyber-related litigation or loss in 2024

50%+

of retail companies felt they had insufficient or no insurance in areas where needed, including property Accident & Health, auto, financial lines, surety, cyber and multinational insurance

88%

of retail companies use third-party services for risk assessment

69%

of retail companies and 70% of business services firms are completely or very prepared for physical damage from fire or water (e.g., a burst pipe)

“Many business services and retail firms (roughly 70%) are identifying as being well-prepared for fire or water damage, highlighting the impact of advancements in risk mitigation, particularly through smart monitoring systems. Investing in these technologies goes beyond protection – it’s about ensuring business continuity in an unpredictable world.”



Maribel Arias
SVP, Industry Practices-Services & Retail Trade

Spotlight: Healthcare



Top Three Risks Identified

Regulatory/Compliance

40%

Inflation/Recession

39%

Cybersecurity

36%

Other Noteworthy Findings

61%

of healthcare companies are confident or extremely confident they have the in-house knowledge and expertise to navigate supply chain disruptions

68%

of healthcare companies expect to be more concerned about cybersecurity litigation over the next three years

58%

of healthcare companies are concerned about extreme weather disruptions associated with climate risk

52%

of healthcare companies say they need more cyber insurance coverage.

“With 58% anticipating greater concerns over cyber litigation ahead, healthcare organizations understand the reality of the threat. Strong cyber hygiene and security and cyber insurance and services that keep pace with the growing exposure are essential to protect patient information and maintain organizational stability.”



Caroline Clouser
EVP, Healthcare
Practice Leader

Middle market companies can rely on Chubb for expert advice on managing their unique risks

Whether you need to close gaps in coverage for emerging risks, level up coverage for higher replacement values, or create plans for business continuity, Chubb and its agent and broker partners can provide specialized services to help mitigate exposures and offers customized, comprehensive insurance solutions for middle market company risks.

For more information, visit www.chubb.com/us/ncmm

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