

# 2022 Mid-Sized Company Risk Report

Presented by QBE North America and the Association for Corporate Growth



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Association for Corporate Growth

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# Executive Summary

Despite a faltering economy in 2022, mid-sized companies have continued to boast strong growth. Bolstered by robust demand and solid productivity, mid-sized companies again achieved record-high year-over-year revenue and employment growth since 2020, according to the National Center for the Middle Market. Although growth rates have leveled off from historic highs in 2020, most firms have continued to grow rapidly, increasing revenue and employment by 10% or more annually. Earnings have also continued to grow, according to the Golub Capital Altman Index, though at a slower pace than revenue.

While pandemic-related concerns have eased for most companies, China's zero-COVID policy and resulting lockdowns continue to cause supply chain uncertainty for many mid-sized companies. They are feeling the effects of a host of additional economic challenges as well, including labor shortages, rising labor costs, skyrocketing energy costs, other inflationary pressures, supply chain disruptions, increased cyber threats, and global discord. Adding to these concerns is a lack of effective mitigation strategies.

To understand our mid-sized business customers' current challenges and anticipate their evolving risks, QBE North America presents its 2022 Mid-Sized Company Risk Report, produced in partnership with the Association for Corporate Growth (ACG). Now in its third year, the report is based on an annual survey of executives in a variety of risk management roles at companies with \$200 million to \$3 billion in revenue from a cross section of industries. It discusses 12 macro and 97 micro risks that concern mid-sized company executives, whether companies have risk management plans in place to address these risks, and their top needs for reducing risk exposure.

QBE is committed to helping our mid-sized business customers and broker partners build a more resilient future. We strive to give our customers confidence to continue growing their businesses, exploring, innovating and taking measured risks.

QBE believes that being an effective risk partner is the culmination of consistency and innovation. It's about partnering with our customers to solve their unique risk needs, offering valuable expertise, and being a trusted advisor. We achieve this by having a deep understanding of our customers, leveraging our expertise across business lines, and building solutions that respond to customer needs. To that end, this annual study has become a key source of knowledge about the most significant business risks for mid-sized companies in the U.S.

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# Research Themes

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## Overall concern rose for every macro risk.

The level of concern for all 12 of the macro risks measured rose significantly from 2021 to 2022. Financial, digital and business interruption risks again topped the list of most concerning macro risks among mid-sized companies. Risks related to climate change, litigation and natural disasters ranked as the least concerning, but even so, the percentage of executives who gave them a high level of concern was around 60%.

## Organizational risk rose to become fourth most concerning.

Executives expressed a number of reasons for ranking organizational risk higher. Companies pointed to risks surrounding M&A deals as a main driver, fearing failure to realize the benefits or synergies of the merger. The impact of demographic changes to the talent pool, attracting and retaining talent, remote work challenges among teams, and inability to innovate were also key factors in the rising concern over organizational risk.

## Cyberattacks and theft of various sorts are top concerns.

Mid-sized companies remained steadfast in their growing concern over data breaches and theft. For the third year in a row, cyberattacks topped the list of micro risks. Within the financial macro risk category, fraud/theft remained the chief concern for the third year in a row. Within digital risk, corporate espionage/theft of critical data and intellectual property theft/loss were key concerns.

## Concern about employee health remains, despite the ease in pandemic fears.

As risks related to the pandemic fell, mid-sized companies expressed continued concern over employee health and welfare. Medical cost inflation, increasing benefits costs and accidents/health issues/worker's compensation coverage were all top of mind among executives surveyed.

## Despite overall heightened concern, the share of companies that have risk mitigation plans for these risks remained largely unchanged.

Similar to last year, mid-sized companies tend to be most prepared for the risks that have the highest level of concern. However, after the top four macro risks, fewer than half the companies have a risk mitigation plan in place. With the heightened concern, companies may be growing increasingly frustrated with the help they are getting. In 2022, 74% stated some unmet need in their open-end response, significantly higher than unmet needs mentioned in both 2021 and 2020. Likewise, interest in working with insurers' loss control departments also grew.

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# Top Risk Management Needs

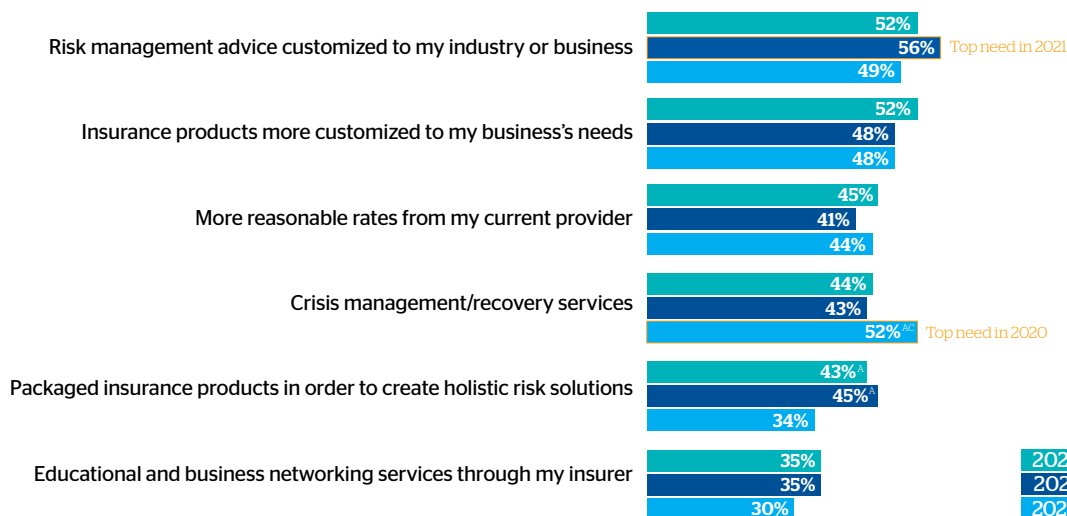
## Companies again expressed the need for customized advice and insurance products to mitigate risks.

Significant global macroeconomic and political risks have buoyed concern among companies worldwide, and mid-sized businesses are no exception. Facing increased risks from cyber threats, supply chain issues, labor shortages, conflict in Ukraine/Russia, inflation and recession fears and other dangers, companies are feeling increasingly vulnerable. Among the executives surveyed, 74% specified unmet needs – up significantly from the previous two years.

When expressing the need for customized advice and insurance products to mitigate risks, coverage for digital assets was most often cited. Companies are also increasingly seeking crisis management and recovery services and quality/trusted/reliable service from providers.

Companies are looking to engage with their insurance providers for loss control planning and during the claims process more than ever, with 90% indicating a high level of interest in doing so. This percentage has risen each year, with 80% expressing interest in 2021 and 65% in 2020.

## Top Needs for Reducing Risk Exposure





# What Are Companies' Top Macro Risks?

Concern for all macro risks rose significantly, with financial, digital and business interruption topping the list.

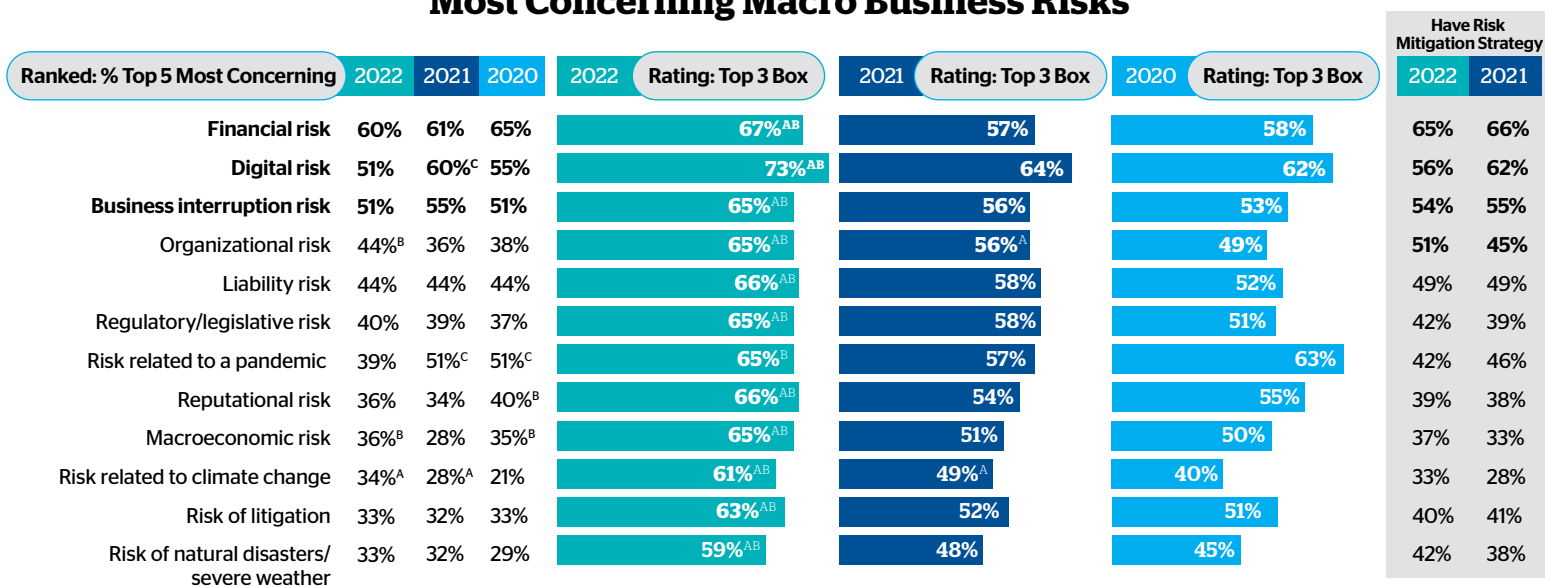
Mid-sized companies' concerns again centered around financial, digital and business interruption risks, which took the top three spots in 2022. Organizational risk jumped from seventh most concerning in 2021 to fourth in 2022, while pandemic-related risk fell from fourth to seventh. This change in ranking between the two risks largely mirrors the transition from initial uncertainty over the economic impact of pandemic-related restrictions to the organizational impacts that companies continue to face with a remote or hybrid workforce.

Macroeconomic risk and climate change risk each jumped two spots in ranking in 2022, echoing global concerns surrounding rising inflation, recession fears, increasing frequency and severity of weather events, and pressure to meet ESG mandates. Despite increased concern over these macro risks, only slightly more than a third of companies have a mitigation strategy in place to address them.

Litigation and natural disaster risk each fell two spots in the ranking, as they were overtaken by macroeconomic and climate change risk.

As was the case in previous years, the contrast between levels of concern and having a risk mitigation strategy suggests that mid-sized companies may lack the resources to address all but their most concerning risks. Fewer than half of the companies had a mitigation plan in place for any of the macro risks beyond the top four. Rising concern for every macro risk further underscores the importance of engaging with insurance brokers and carriers to prepare for a wider range of threats.

## Most Concerning Macro Business Risks

2022<sup>C</sup>2021<sup>B</sup>2020<sup>A</sup>

2022 n=302, 2021 n=302, 2020 n=303

Lettering signifies results significantly higher / lower vs. previous waves at 90% confidence

A2. Now, please review this list of risks and click or drag to rank 1 as the risk that is most concerning for your business, 2 as the next most concerning, etc. for your top 5 rankings.

A1. Please rate your level of concern regarding the following potential risk to your business.

A3. Again, referring to the same list, for which types of risks does your business have a risk mitigation strategy or insurance in place currently?

# What Are Companies' Top Micro Risks?

The most concerning micro risks tended to reflect cyber and economic trends.

Cyberattacks remained the top micro risk among the 97 measured in the report. Mid-sized companies also expressed continued concern over cyber vulnerability stemming from remote working.

Concern about changes in regulations that would impact business eased in 2022, but remained a top issue, ranking second alongside fraud/theft.

Recession concern again remained high, increasing slightly from 2021. Recession concern was significantly elevated among mid-sized companies with \$200m–\$499m in revenue and those more than 20 years old as compared to companies with \$500m+ in revenue and companies up to 20 years old, respectively.

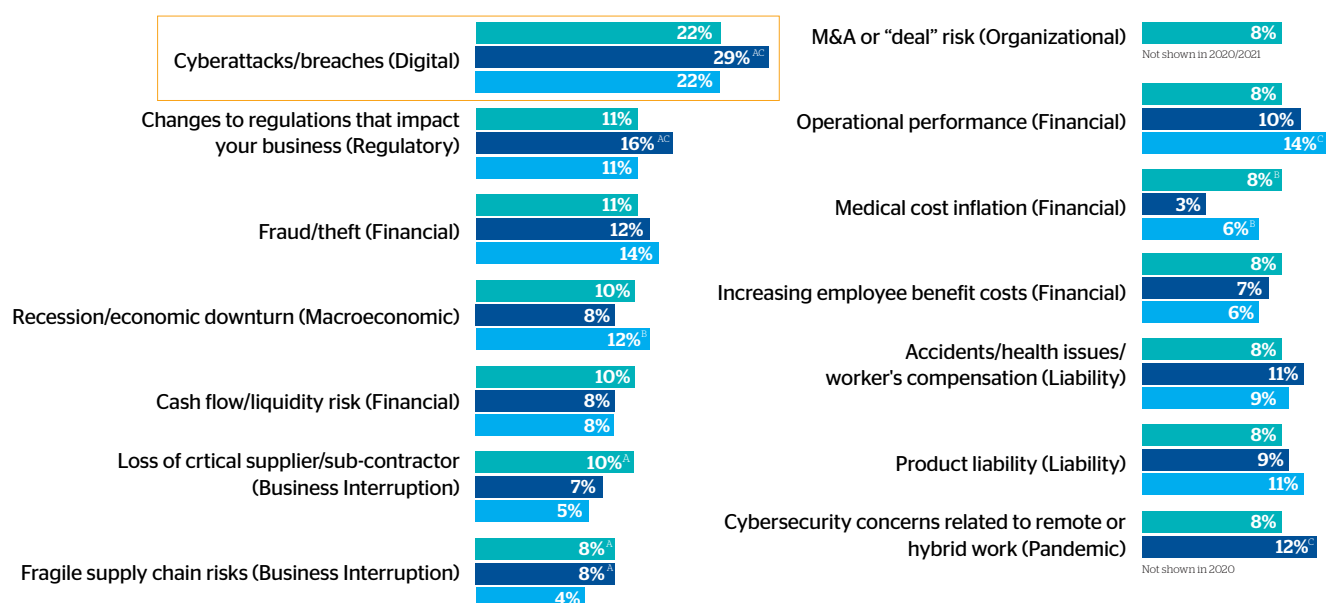
Reflecting economic and geopolitical uncertainty, the percentage of mid-sized companies ranking supply chain fragility and the loss of critical suppliers/sub-contractors as top risks grew for the second year in a row. The level in 2022 was significantly higher than it was in 2020.

In 2022, employee health factored in three of the top micro risks. Mid-sized companies indicated that medical cost inflation, benefits costs and accidents/health/workers' compensation were all of increased concern.

Note: In 2022 this report lists the top 14 micro risks due to many ties in the ranking. In previous years the report listed the top 10.

## Most Concerning Micro Risks

% risk ranked in top 5



2022 n=302, 2021 n=302, 2020 n=303

Results showing top answers for 2022 only (10% or greater). Full results can be found in crosstabs.

Lettering signifies results significantly higher / lower vs. previous waves at 90% confidence

A16. You will now see all the specific risks that you cited as "most concerning risks" for your business. Please rank all of the risks below from most to least concerning.

2022<sup>C</sup>  
2021<sup>B</sup>  
2020<sup>A</sup>

## Exploring Top Macro Risks

In this section, we take a deeper look into each of the 12 macro risks, analyzing the specific micro risks within each category. We note which of these micro risks were of top concern to respondents in 2022 and where significant changes have taken place over the past two years.

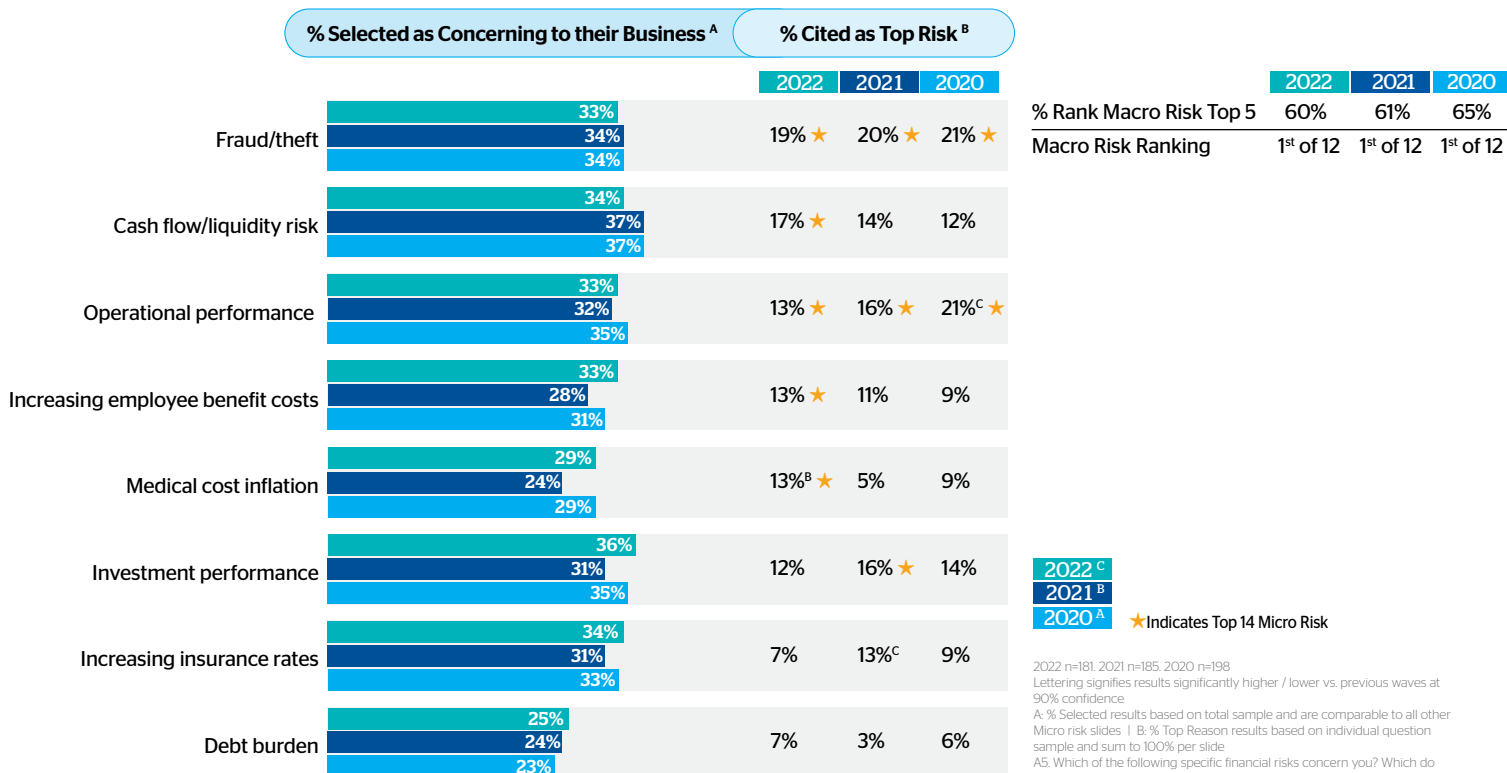
# Financial

**Financial risk ranked as the most concerning for the third year in a row.**

Five of the micro risks within financial risk were in the top 14 micro risks overall – a record for all three years of any macro risk. Fraud/theft and operational performance remained among the top micro risks overall for three years in a row, with 19% citing fraud/theft as their top risk. Increasing employee benefits costs and medical cost inflation joined the list of top overall micro risks in 2022 for the first time, with 13% selecting one of these as their top risk.

“Fraud prevention is not [satisfactory].”  
 “Medical cost inflation is very big problem.”

### Financial Micro Risks



# Digital

## Digital risk ranked as the second most concerning for the third year in a row.

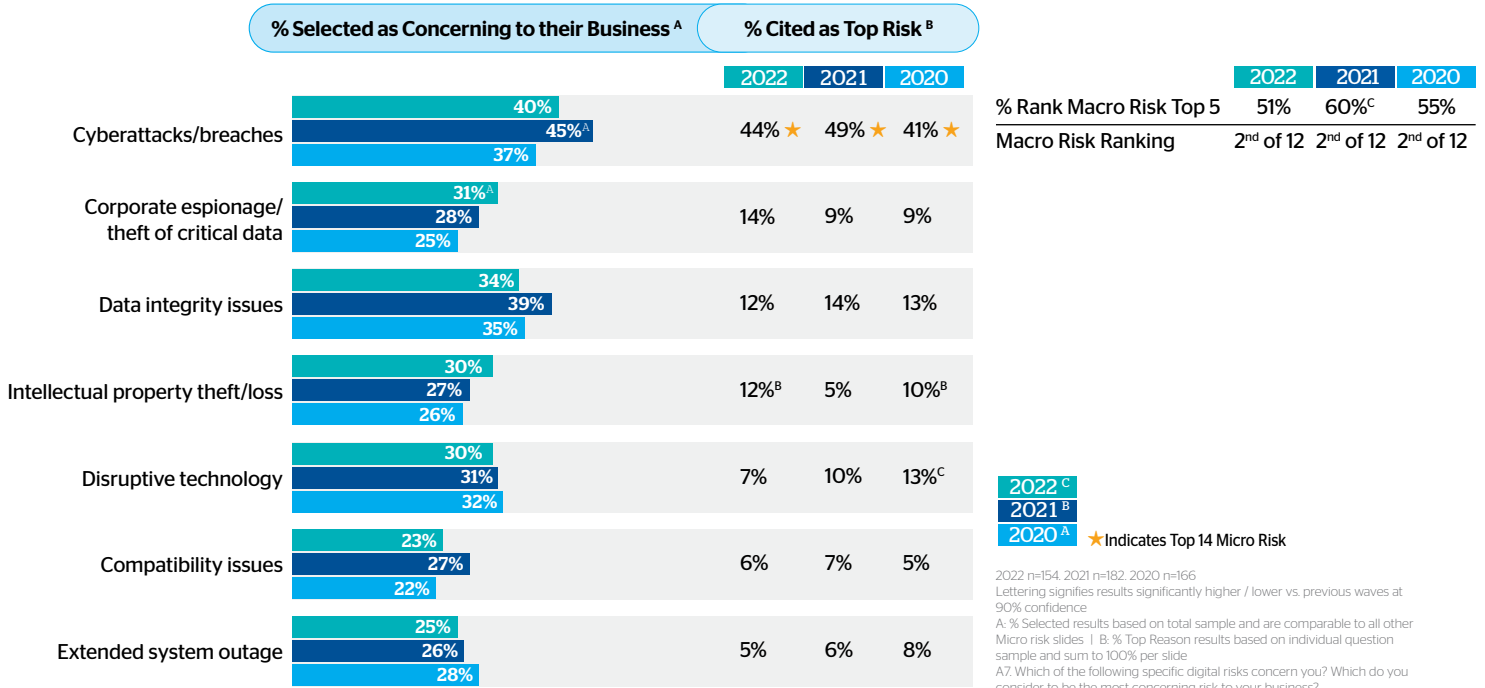
Within the digital macro risk, cyberattacks/breaches again ranked as the top micro risk, with 44% of executives choosing it. It also took the top spot as the most concerning micro risk overall among the 97 micro risks.

Fears related to theft increased in 2022 both in terms of the percentage of executives worried about it as well as the percentage saying it was a top concern. Within the digital category in 2022, 14% cited corporate espionage/critical data theft as their top risk, up from 9% in 2021, and 12% ranked intellectual property theft/loss as their biggest concern, up from just 5% in 2021.

“... Cyberattacks and hacking have been getting worse year after year. We have strategies in place to protect ourselves, but the risk is very clear.”

“What worries me most is the loss and impact of intellectual property.”

### Digital Micro Risks





# Business Interruption

Business interruption risk remained the third most concerning for the second year in a row.

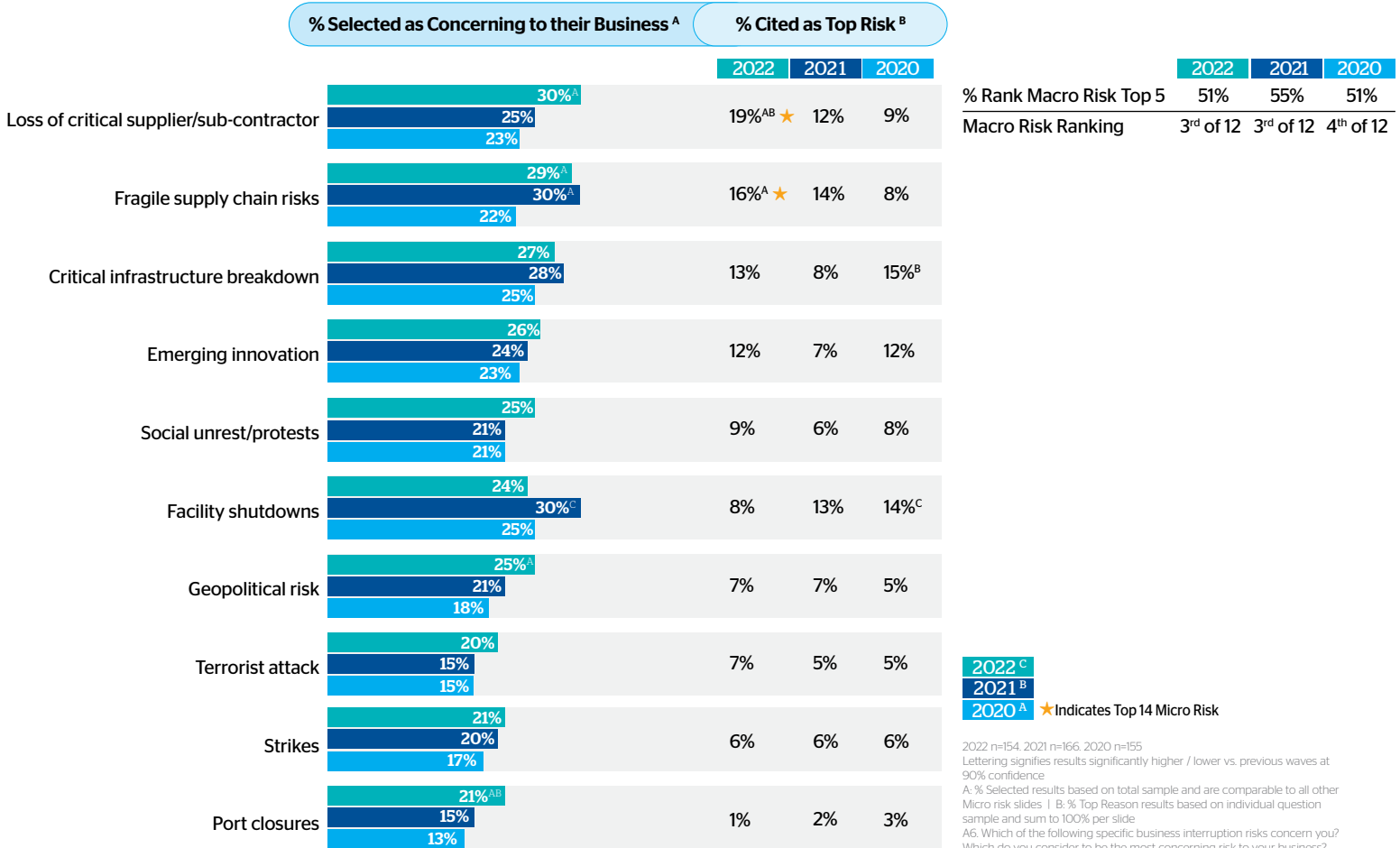
For the first time, two business interruption micro risks made the cut for the top micro risks overall – loss of critical supplier/sub-contractor and fragile supply chain. Both micro risks were up significantly from 2020, with 19% and 16% respectively selecting one of these as their top risk in 2022 within the business interruption macro risk.

Port closures continued to rank as the least concerning business interruption micro risk, but the percentage of executives citing it as a concern rose significantly from 2021. The percentage of executives concerned about geopolitical risk rose significantly compared to 2020. Fear of facility shutdowns decreased significantly from 2021, likely reflecting an overall ease in pandemic-related closures.

“Our supply chain is probably our biggest concern, and we are working with our key suppliers on a daily basis to mitigate risk.”

“Critical disruption of infrastructure will cause poor remote work efficiency and weaken sales and marketing efficiency.”

## Business Interruption Micro Risks



# Organizational

## Organizational risk jumped three spots to the fourth most concerning in 2022.

Several micro risks were added to the organizational risk macro in 2022, and one of them, M&A/deal risk, ranked as the top micro risk in this category, with 19% citing it as most concerning. It was also among the top micro risks overall.

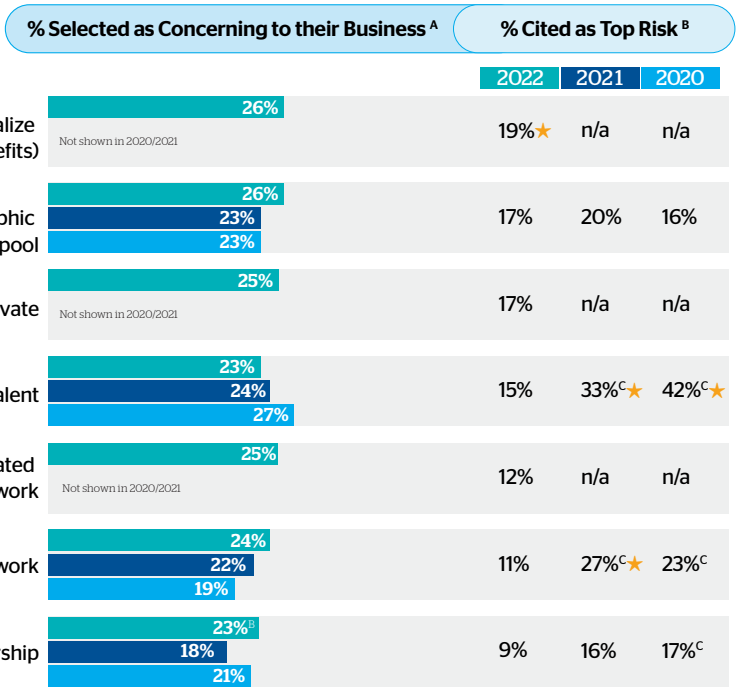
Inability to innovate and the impact of demographic changes on the talent pool were close behind M&A/deal risk. Teamwork challenges due to remote work – another new micro risk – ranked farther down but still had 25% of executives citing it as a concern. It joined cybersecurity worries as another remote work issue.

Attracting and retaining talent and internal bias/lack of a diversity framework fell in the ranking but this could relate largely to the addition of new micro risks splitting the vote. Neither experienced a significant change in the percentage of executives choosing them as a concern.

“Our organization has yet to improve our position with M&A. We feel as though there are too many factors involved that would negatively [affect] our risk as of right now.”

“Frequent remote work concerns me because communication between employees not directly in contact with each other can negatively affect teamwork.”

### Organizational Micro Risks



	2022	2021	2020
% Rank Macro Risk Top 5	44% <sup>B</sup>	36%	38%
Macro Risk Ranking	4 <sup>th</sup> of 12	7 <sup>th</sup> of 12	7 <sup>th</sup> of 12

2022 <sup>C</sup>  
2021 <sup>B</sup>  
2020 <sup>A</sup> ★ Indicates Top 14 Micro Risk

2022 n=133, 2021 n=109, 2020 n=114  
Lettering signifies results significantly higher / lower vs. previous waves at 90% confidence  
A: % Selected results based on total sample and are comparable to all other Micro risk slides | B: % Top Reason results based on individual question sample and sum to 100% per slide  
A12: Which of the following specific organizational risks concern you?  
Which do you consider to be the most concerning risk to your business?



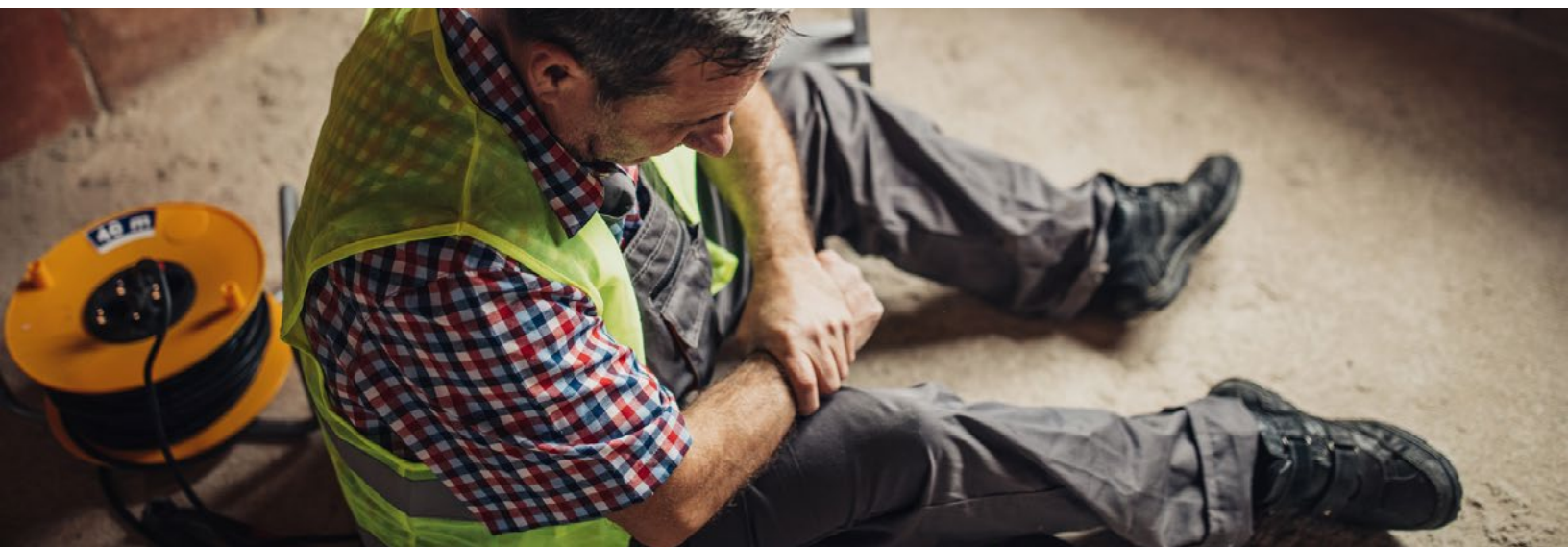
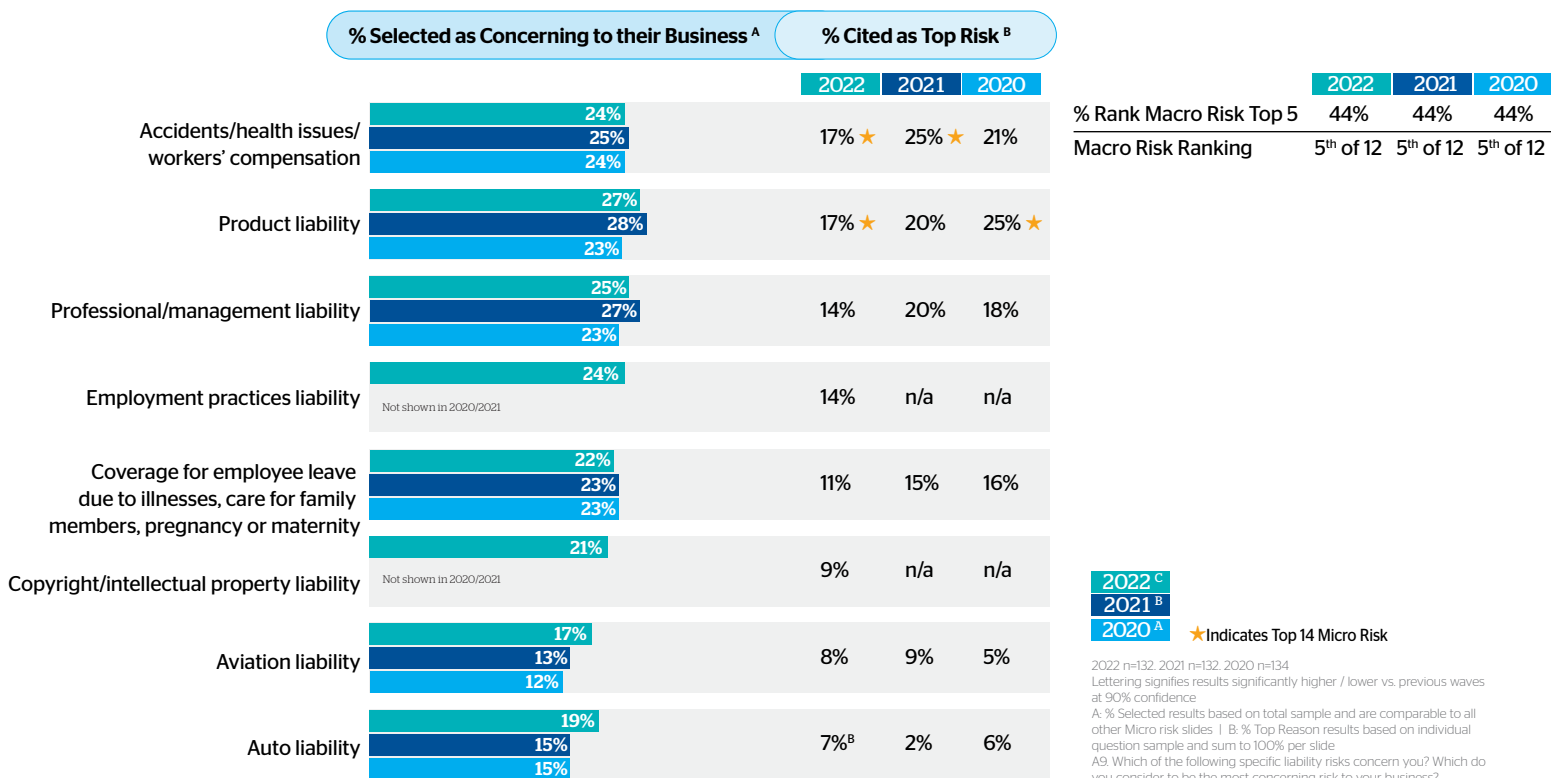
# Liability

Liability risk held steady as the fifth most concerning for the third year in a row.

Accidents/health issues/workers' compensation and product liability tied as the most concerning liability micro risks, with 17% listing each of these as their greatest concern. They were also among the top overall micro risks overall. Professional and management liability and employment practices liability – a new question in 2022 – tied at 14% each as the next most concerning liability micro risks.

“We are increasing our liability protection to address these risks.”  
 “Securing all occupational safety requirements and rewarding compensation for all workers [is an unmet need].”

## Liability Micro Risks



# Regulatory/Legislative

Regulatory risk remained the sixth most concerning for a second year.

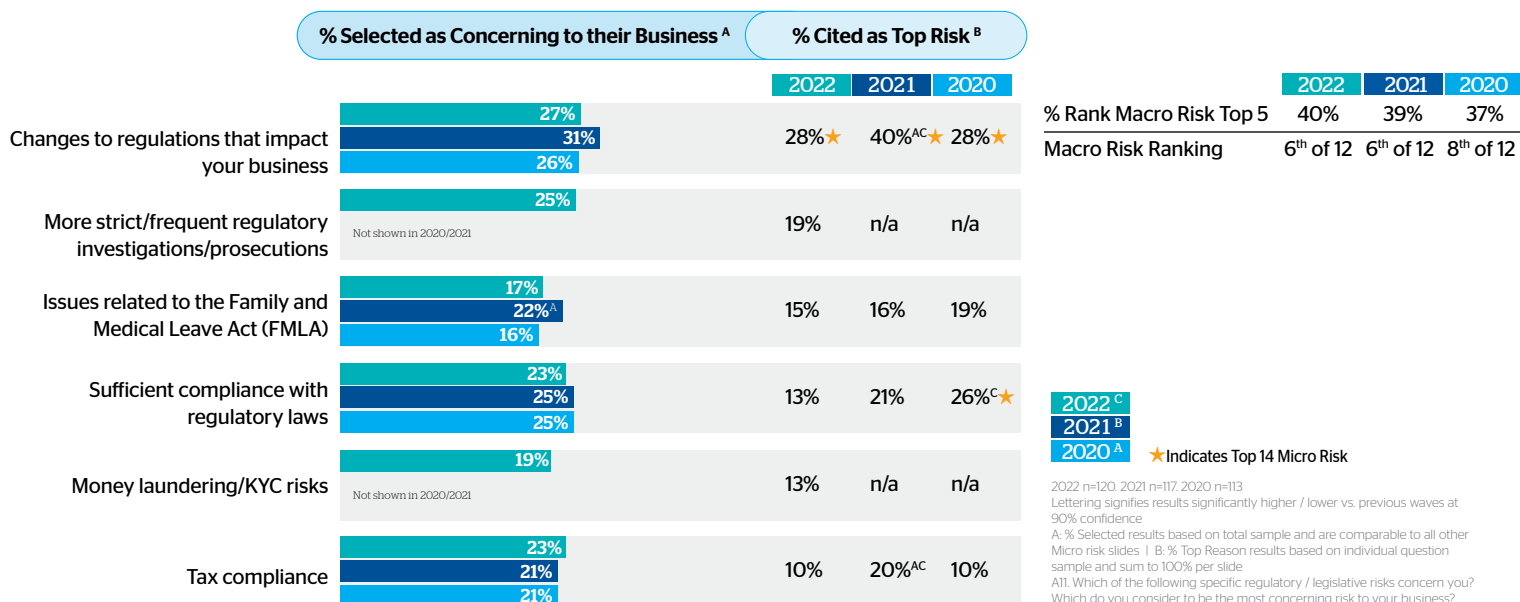
Changes to regulations that impact business was listed as the top regulatory micro concern. Although the percentage of respondents concerned about it held steady, fewer named it as the top risk – 28% in 2022 versus 40% in 2021. This change might reflect a decline in the uncertainty that surrounded the change in administration in 2021.

Concerns over more aggressive enforcement of regulations, a new question, took the second spot in the regulatory category, with 25% listing it as a concern. Worries about the ability to comply with regulations declined significantly as a top concern, dropping from 26% in 2020 to 13% in 2022. This can perhaps be attributed to uncertainty surrounding COVID regulations early in the pandemic, but it could also reflect the larger number of micro risks to choose among in the macro category in 2022.

“If business regulations are constantly changing, then we are exposed to many risks.”

“Changes to regulations make it riskier to develop new markets and products.”

## Regulatory/Legislative Micro Risks





# Pandemic

**Pandemic-related risk fell three spots in the ranking to number seven, the biggest decline of any macro risk.**

Mirroring the pandemic macro risk's decline in ranking, the percentage of executives concerned about every micro risk in the category declined, often significantly.

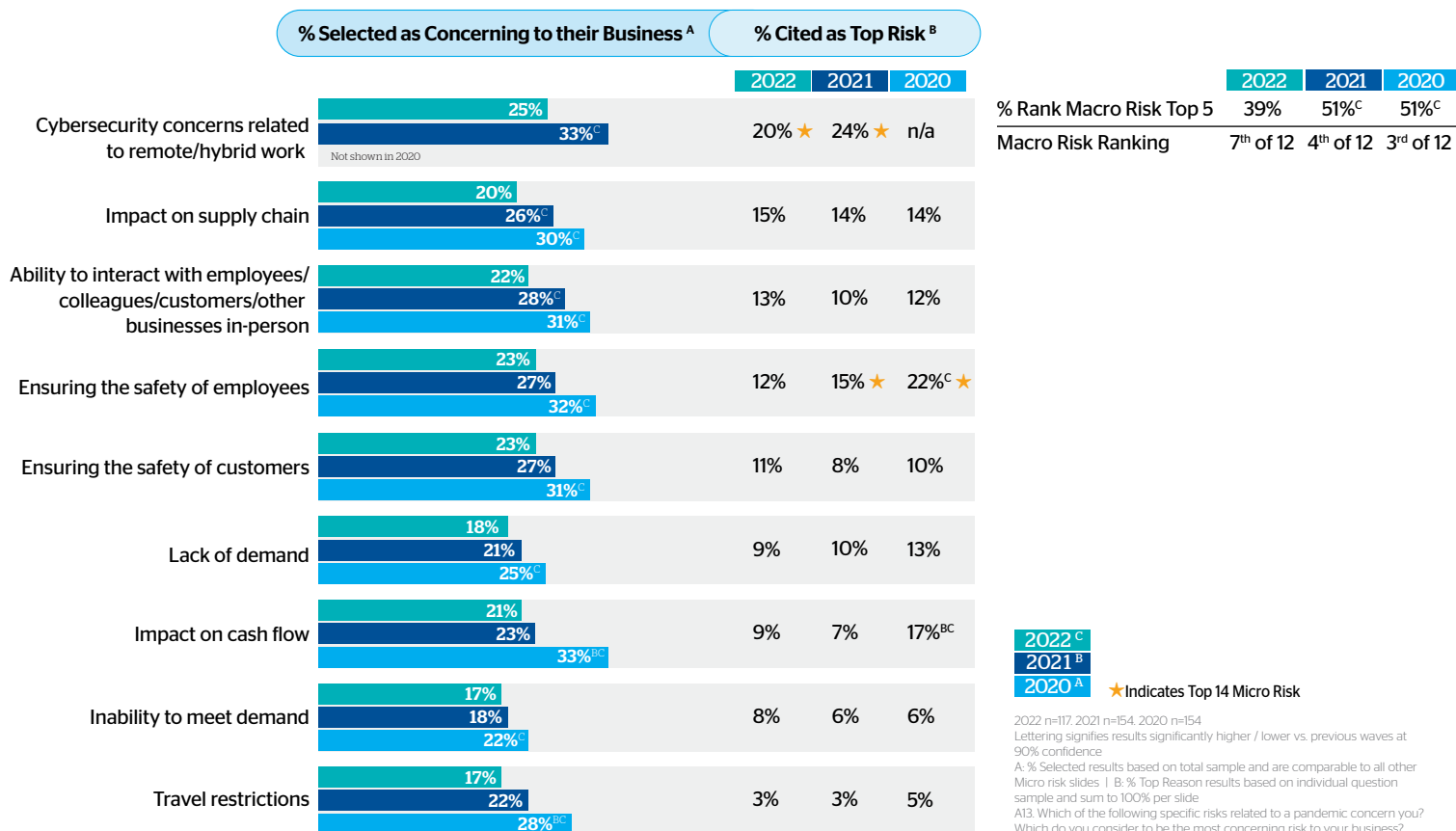
Cybersecurity concerns related to remote/hybrid work remained the most concerning pandemic-related micro risk, with 20% of executives citing it as the top risk in the category in 2022. It was also a top micro risk overall. While supply chain disruption remained a concern, the percentage of executives worried about the pandemic's impact on it fell significantly.

Worry over ensuring employees' safety fell appreciably from the early days of the pandemic, with 23% citing it as a concern in 2022, down from 32% in 2020.

“New operational models as a result of changes caused by COVID-19 [are] the most negative impact for [the] organization.”

“Cybersecurity risk has increased tremendously during the pandemic. It presents decision making flaws and unpredictability.”

## Pandemic-related Micro Risks



# Reputational

## Reputational risk maintained its ranking as the eighth most concerning.

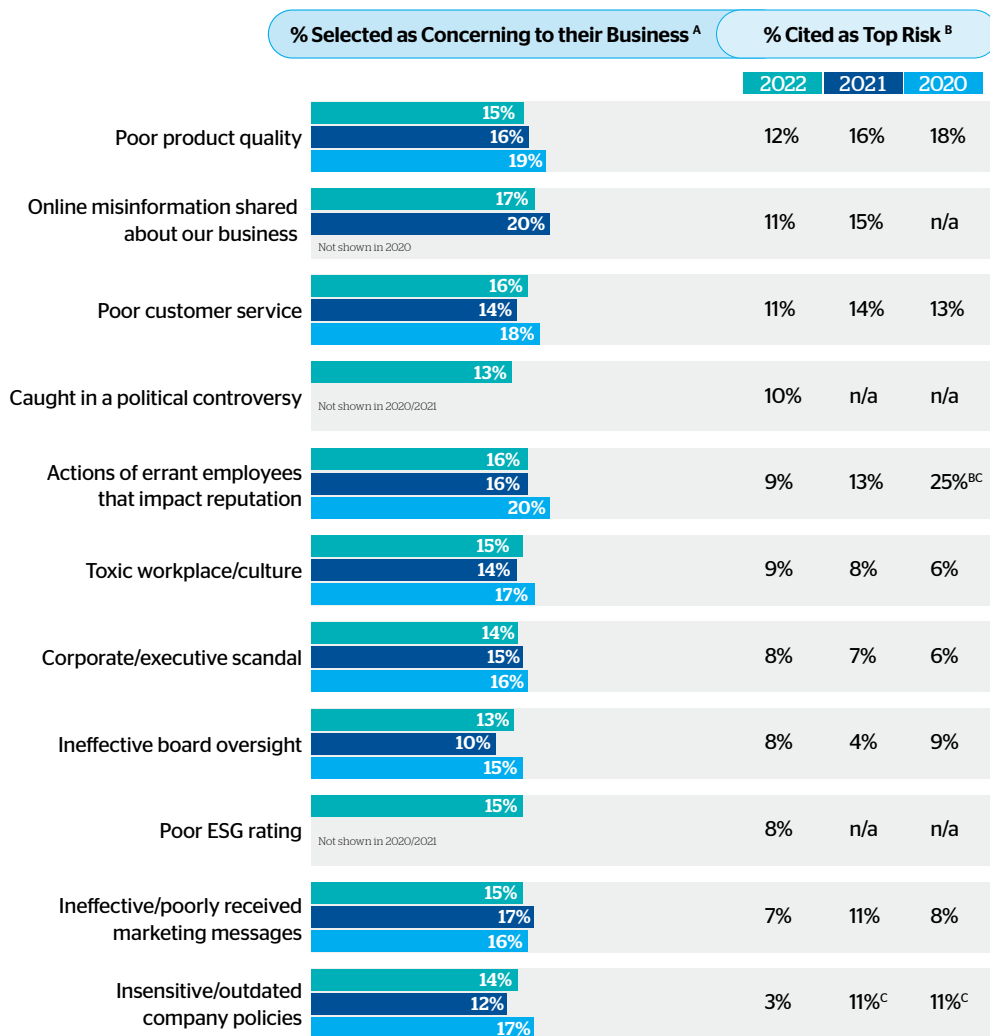
Mid-sized company executives again cited poor product quality, poor customer service, and misinformation as the top three reputational micro risks. Concern over being caught in a political controversy, a new question in 2022, was ranked as the fourth most concerning reputational micro risk. Receiving a poor ESG rating, also a new question in 2022, was ranked near the bottom of most concerning reputational risks, with just 8% citing this as the top risk.

Actions of errant employees and insensitive/outdated company policies both fell significantly as top concerns, with only 9% and 3% citing them, respectively. This decline can perhaps be attributed to the spike in social unrest in 2020.

“Getting involved in poor quality product and misinformation can cause havoc to the entire enterprise both physically and financially.”

“We don’t expose ourselves to social media anymore; they have gotten so toxic that we try to stay as far [away] as possible from them.”

## Reputational Micro Risks



	2022	2021	2020
% Rank Macro Risk Top 5	36%	34%	40% <sup>B</sup>
Macro Risk Ranking	8 <sup>th</sup> of 12	8 <sup>th</sup> of 12	6 <sup>th</sup> of 12

2022 <sup>C</sup>  
2021 <sup>B</sup>  
2020 <sup>A</sup> ★ Indicates Top 14 Micro Risk

2022 n=109; 2021 n=102; 2020 n=122  
 Lettering signifies results significantly higher / lower vs. previous waves at 90% confidence  
 A: % Selected results based on total sample and are comparable to all other Micro risk slides | B: % Top Reason results based on individual question sample and sum to 100% per slide  
 A15: Which of the following specific reputational risks concern you? Which do you consider to be the most concerning risk to your business?



# Macroeconomic

Macroeconomic risk rose two spots to the ninth most concerning, regaining the position it had in 2020.

The rise in concern for macroeconomic risks could reflect the nation's worries about inflation, a recession and exchange rate volatility. Every macroeconomic micro risk experienced a significant increase from 2021 in the percentage of respondents concerned about the impact to their business. A recession or economic downturn ranked as the top macroeconomic micro risk by a wide margin. It also earned a spot as a top micro risk overall.

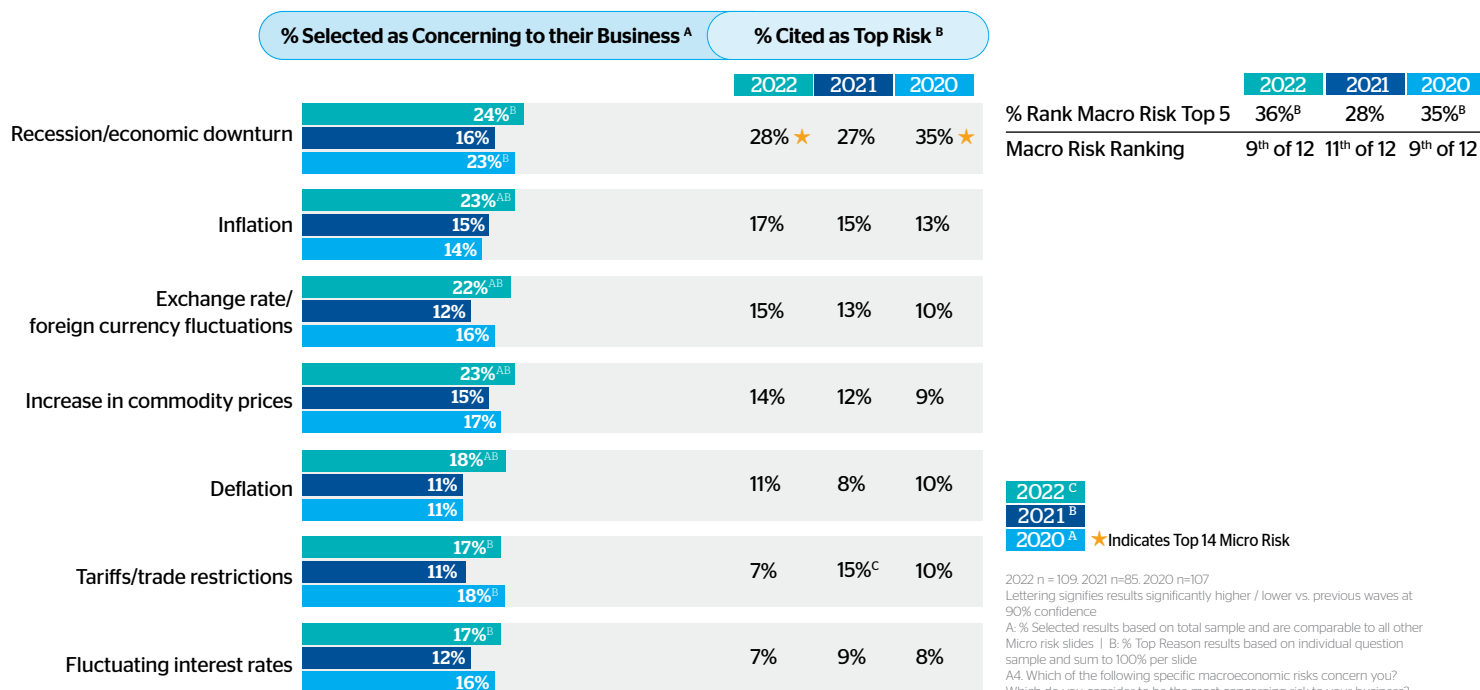
Concern over inflation rose significantly, with 23% of executives citing it in 2022 versus 15% in 2021. Interestingly, the percentage of executives worried about deflation also increased significantly, with 18% concerned in 2022, up from 11% in 2021.

“Inflation is a massive risk for us. It affects every aspect of our operation and puts consumer demand at risk also.”

“The state of the economy will be a major factor in our '22/'23 performance.”

“We are not protected against basic economic problems due to inflation and the economic recession.”

## Macroeconomic Micro Risks



# Climate Change

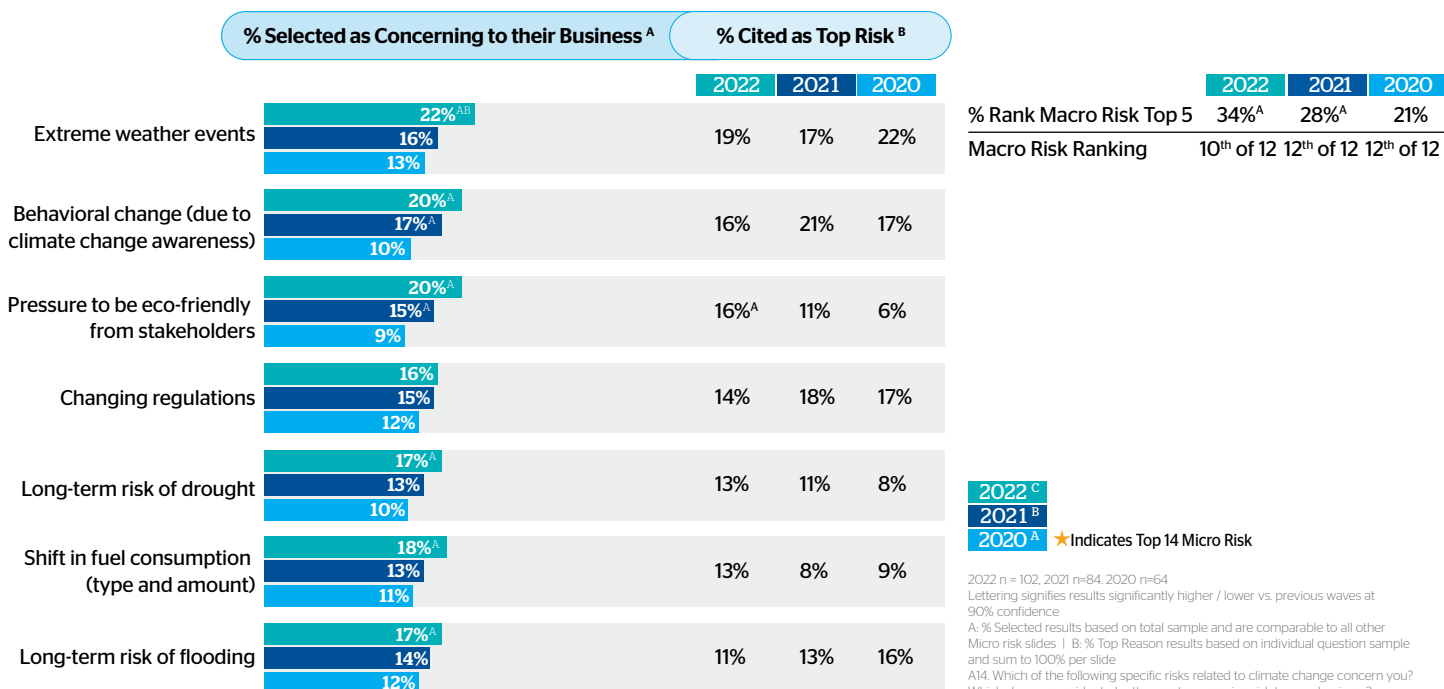
Climate change risk ranked as the tenth most concerning macro risk in 2022, up from twelfth in 2020 and 2021.

The percentage of executives concerned about each climate change related micro risk rose for the second year in a row. In many cases, the rise since 2020 has been significant.

An extreme weather event was the most concerning micro risk; 19% of executives chose it as the top micro risk in the category. Risks related to people’s reaction to climate change were not far behind. Concern over behavioral changes and pressure to be eco-friendly from stakeholders were both selected by 16% of executives as the top risk. The 16% for pressure from eco-friendly stakeholders represented a significant increase from 2020.

“Due to an increase in climate change, there is high possibility of more natural disasters happening if appropriate actions are not taken to forestall such occurrences.”

## Climate Change Micro Risks





# Litigation

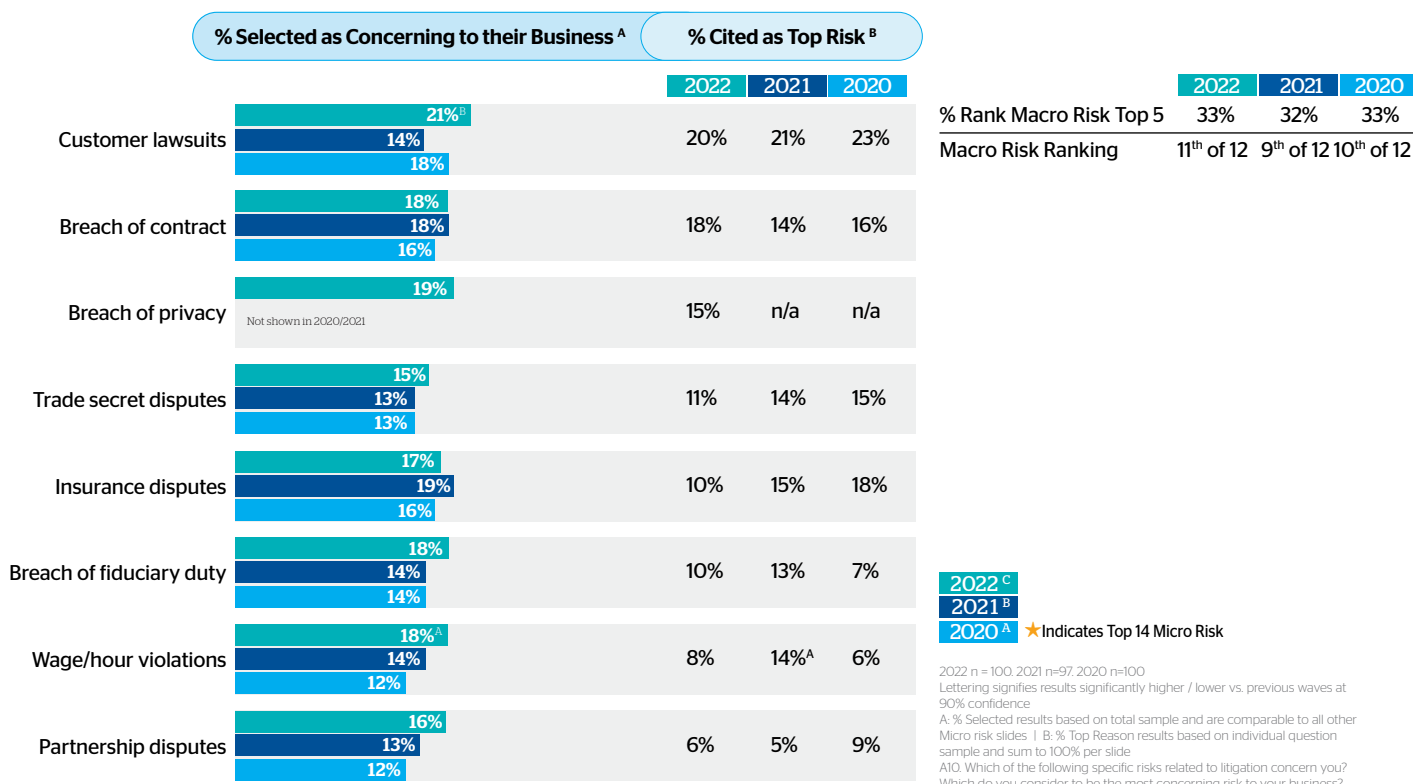
Litigation risk fell two spots in the macro ranking to eleventh place.

Although litigation as a macro risk fell in the ranking overall, most of its micro risks experienced at least a directional increase in the percentage of executives concerned. The percentage worried about customer lawsuits rose significantly from 14% in 2021 to 21% in 2022.

Customer lawsuits were also the most concerning litigation micro risk for the third year in a row. Breach of contract (18%) and breach of privacy (15%) – a new question in 2022 – ranked second and third.

“Customer lawsuits can arise from unhappy customers and lack of protocols on how to deal with such circumstances.”

## Litigation Micro Risks



# Natural Disaster/Severe Weather

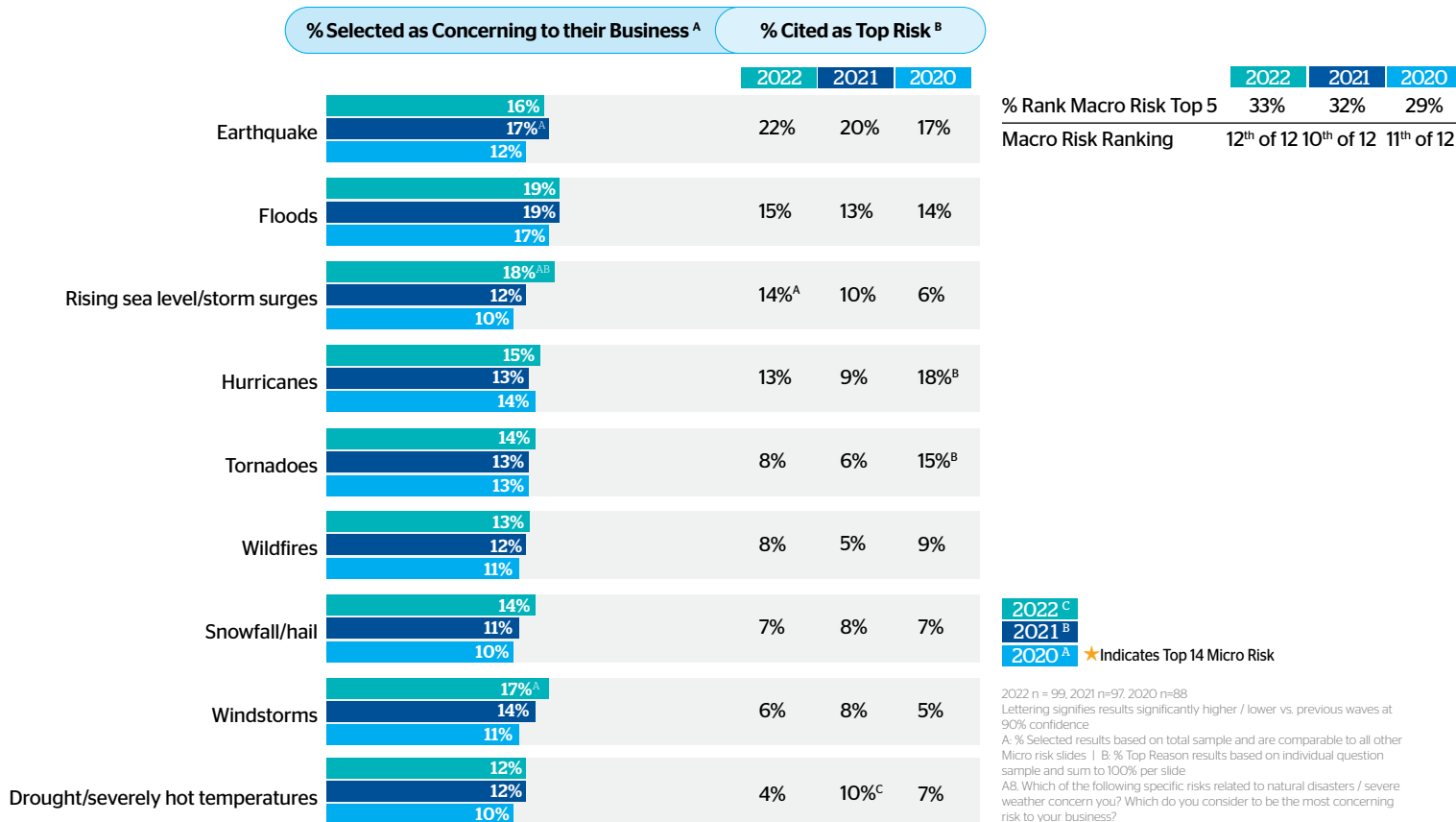
Natural disaster/severe weather fell two spots to the least concerning of the twelve macro risks.

For the second year in a row, earthquakes topped the list of most concerning natural disaster/severe weather micro risks. Fear over rising sea level/storm surges rose significantly, with 18% concerned in 2022 versus 12% in 2021 and 10% in 2020. Rising sea level/storm surge also rose significantly in the percentage of executives who cited it as their top risk in 2022 (14%) over just 6% in 2020.

Although near the bottom of natural disaster/severe weather micro risks, the percentage of executives concerned about windstorms rose significantly compared to 2020. This can perhaps be attributed to an increase in severe storms in recent years, especially in areas of the country not used to such events.

“Natural disasters will still occur, and greater vigilance and measures are needed.”  
 “Natural disasters are still unavoidable, so they are [an unmet need].”

## Natural Disaster/Severe Weather Micro Risks



# Methodology

HawkPartners surveyed 302 decision makers at U.S. mid-sized businesses.

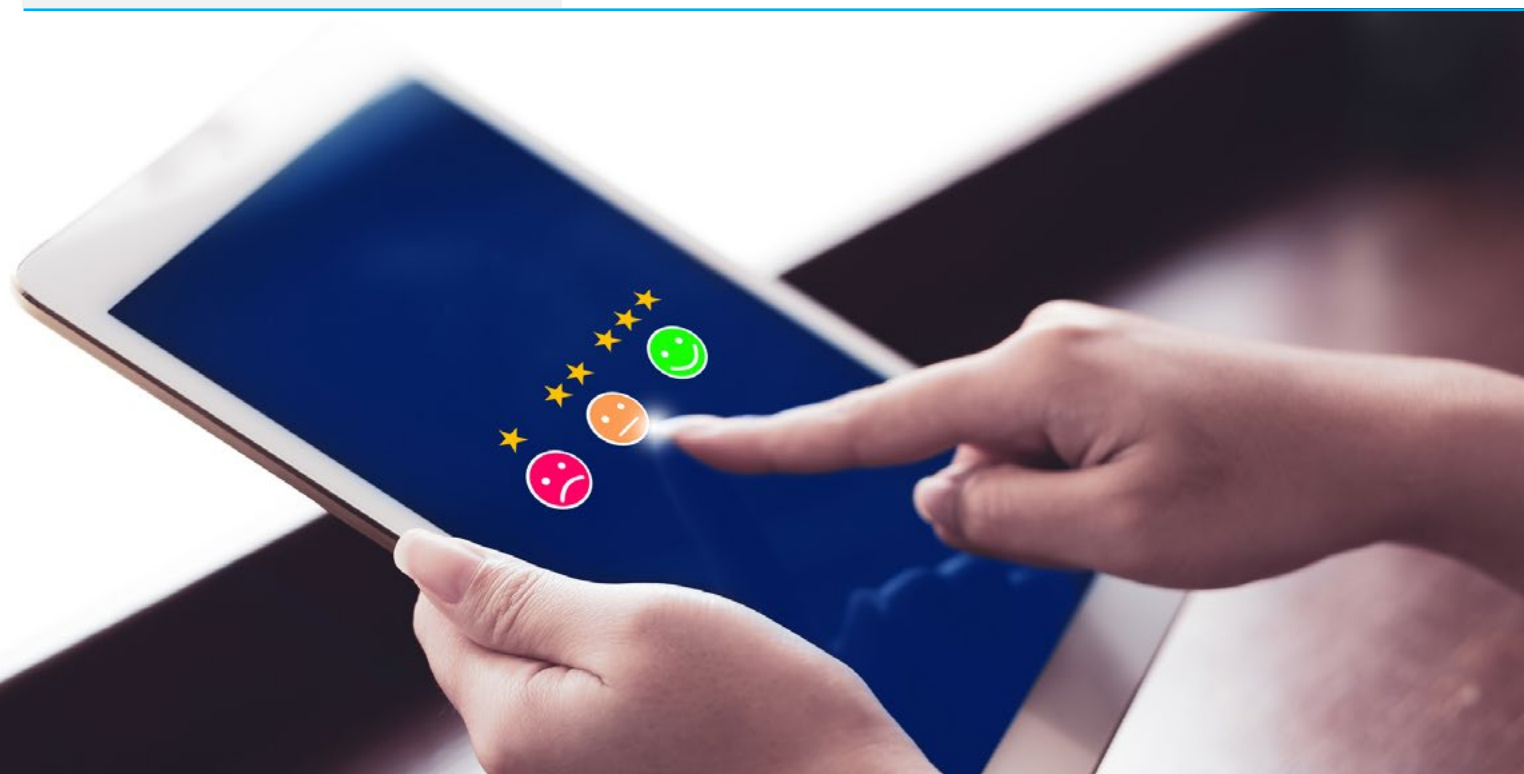
## Method:

2022 results are from a survey conducted between June 28 and July 12, 2022. 2021 results are from a survey conducted August 5 to 17, 2021. 2020 results are from a survey conducted between June 24 and July 8, 2020. All respondents were sourced from an online panel.

## Key Screening Criteria:

- Business with annual revenue between \$200 million – \$3 billion
- Title of director or more senior
- Makes or has significant influence on decisions regarding managing business risk
- Works in target industry: construction, electronics, finance/banking, food and beverage, healthcare, hospitality, information services, insurance, legal, manufacturing, professional services, real estate, retail/consumer goods, technology/computer services, telecommunications, and wholesale/distribution
- Age 22 and older

Business Revenue	2020	2021	2022
\$200-\$499M	104	107	103
\$500M-\$1B	88	99	82
\$1B-\$3B	111	96	117
<b>Total</b>	<b>303</b>	<b>302</b>	<b>302</b>



## About HawkPartners

HawkPartners is a full-service marketing strategy and market research firm that blends insightful customer research with distinctive marketing strategies for global leaders. We partner with Fortune 500 clients across the Americas, Europe and Asia to solve tough marketing challenges. Headquartered in Boston, the firm has offices in Chicago, New York, Philadelphia, San Francisco and Washington, DC. Learn more at [hawkpartners.com](http://hawkpartners.com).

## About QBE North America

QBE North America is a global insurance leader focused on helping customers solve unique risks, so they can focus on their future. Part of QBE Insurance Group Limited, QBE North America reported Gross Written Premiums in 2021 of \$6.29 billion. Information on QBE Insurance Group's results can be found at [qbe.com](http://qbe.com). Headquartered in Sydney, Australia, QBE operates out of 27 countries around the globe, with a presence in every key insurance market. The North America division, headquartered in New York, conducts business primarily through its insurance company subsidiaries. The actual terms and conditions of any insurance coverage are subject to the language of the policies as issued. QBE insurance companies are rated "A" (Excellent) by A.M. Best and "A+" by Standard & Poor's. Additional information can be found at [qbe.com/us](http://qbe.com/us), or follow QBE North America on Twitter @QBENorthAmerica.

## About the Association for Corporate Growth

Founded in 1954, ACG is the premier M&A dealmaking community with 59 chapters worldwide. ACG's global network comprises more than 100,000 middle-market professionals who invest in, own and advise growing companies. ACG's mission is to drive middle-market growth. ACG reaches its audience through its content-rich media channels, including its award-winning flagship publication Middle Market Growth®, which dives into emerging trends; GrowthTV, which brings those stories to life; and podcasts that provide in-depth conversations with industry thought leaders. Learn more at [acg.org](http://acg.org), or follow ACG on Twitter @ACGGlobal.



