



Many Risks, One Chubb.

Why do coverage gaps emerge in clients' insurance? And how can you fill them more effectively?



It's well-known that coverage gaps can affect middle market businesses in every industry – especially technology, professional services and manufacturing.

But what is often less discussed is when and why these gaps emerge. And with that, how you can effectively provide coverage to them through a well-rounded range of insurance products. This article gets to the heart of this issue, so you can offer clients the right set of coverage options at the right time.

01: Business expansion

As companies grow and change, they face a new set of risks that can require extra insurance protection. These may be in areas in which the client has not had much prior experience, which can leave them particularly exposed. In fact, when a business establishes operations overseas, in many circumstances their existing domestic policies may not be structured to adequately cover risks facing their employees or property.

This is something that could affect your middle market clients at any time: 51% of middle market businesses want to expand into new markets in the next year.¹ Our Multinational insurance is precision-engineered for scenarios like these, with tailored protection for expanding operations.

Covered risks include:

- Ability to globalize business solutions
- Foreign auto liability
- Foreign product liability
- Foreign voluntary workers compensation
- Property and business income outside of the United States
- And more

02: Digital transformation changes

Cybercrime is an area in which businesses can fall behind particularly quickly – especially if they've recently transitioned to cloud-based computing, expanded remote working, or begun optimizing processes.² In these instances, they can become an easy target for cyber hackers.

In fact, fraud, digital risk, and working from home were recently cited as the top concerns that middle market businesses face.³ Because of this, our Cyber coverage is an excellent option to offer clients. It offers customizable solutions for a range of risks.

Covered risks include:

- Business interruption
- Cyber incident response expenses
- Digital data recovery
- Network extortion threat
- And more

We also offer dedicated Incident Response Services – from computer forensics to fraud consultation – which can limit exposure to a loss when an event occurs.

03: Merger and acquisition (M&A) transactions

There are a whole host of risks that can emerge from the convoluted process of acquiring or merging with another business. Upon closing a M&A deal, your client may take on the liabilities of the business they're acquiring or merging with. For example, they may be taking over a manufacturing facility that has a high fire risk, or a plant using hazardous materials that pose a risk of contaminating the surrounding area.

Here, our Environmental – Pollution Liability insurance would be an excellent coverage suggestion. What's more, the sensitivity of a merger and acquisition transaction may make both parties vulnerable to data breaches and other cybersecurity risks.⁴ Chubb's Cyber coverage is a good way to round out the insurance protection and mitigate the fallout of risks.

Covered risks include:

- Business interruption
- Clean-up costs
- Legal expenses
- Third-party claims

04: Misunderstanding insurance and its value

Middle market business can underestimate the importance of having the right coverages for their needs, which can lead to uninsured or underinsured losses. In fact, one third of middle market businesses acknowledged they could have been covered for the strategic disruption they experienced if they had purchased available insurance.⁵ And recent research has uncovered a gap between businesses' level of concern/understanding of risks and having the right insurance strategy in place.⁶

One coverage area that is routinely undervalued is Employment Practices Liability insurance (EPLI). Businesses can fail to appreciate how tangible the threat of employment lawsuit is – such as accusations of sexual harassment, discrimination and wrongful termination – especially if they pride themselves on being a caring or thoughtful employer. But the truth is, no business is immune to these accusations. And according to Forbes, most commercial insurance excludes EPLI exposures.⁷

Here's an example:

A mid-level employee with a long history of recorded performance problems is terminated for smoking in a restricted area where the company's flammable chemicals are stored. In response, the employee sues the company for wrongful termination. He alleges age discrimination, for which the plaintiff sought back pay, front pay, special damages and attorney's fees. This totals \$275,000, plus punitive damages.

Our Employment Practices Liability insurance covers many types of employment-related allegations – including allegations of past, present or prospective employees - and may be appropriate insurance to propose for your clients.

Covered risks include:

- Defamation
- Discrimination
- Harassment
- Retaliation
- Unfair hiring practices
- Wrongful termination
- And other workplace offenses

Summary: change creates risk exposure

What we've seen:

We've seen that there are certain critical periods where clients are more likely to have insurance gaps where their existing insurance programs do not appropriately address their risks and exposures – particularly when they're undergoing some kind of large-scale evolution.

But given how ubiquitous these issues are, and how many clients don't have adequate risk management strategies in place, it's helpful to routinely reach out to your middle market clients to discuss their growth strategies and identify new risks which might arise as they expand.

You'll not only be able to maintain a consistently higher level of service for these clients, but they'll also thank you for your thoughtful, considered approach to their risks. Which ultimately means a longer-lasting, more profitable relationship for both of you.

Want to learn what type of solutions would best support your clients, growing business?

Visit Chubb's '[Many Risks, One Chubb](#)' resource center to explore coverage highlights of our integrated insurance protection for technology, manufacturing and professional services firms.

^{1,5} The National Center for the Middle Market Indicator Report. 2022.

² Ponemon Institute and Cyber GRX. Digital Transformation & Cyber Risk: What You Need to Know to Stay Safe. 2020.

^{3,6} Insurance Business America. Mid-sized businesses' top risk concerns. 2021.

⁴ Reinsurance News. Booming tech M&A deals present unique insurance risks, says CFC. 2022.

⁷ Forbes. 12 Types of Insurance Many Individuals and Businesses Don't Have (But Should). 2023.