

Manufacturing – Q2 2020 Middle Market Outlook

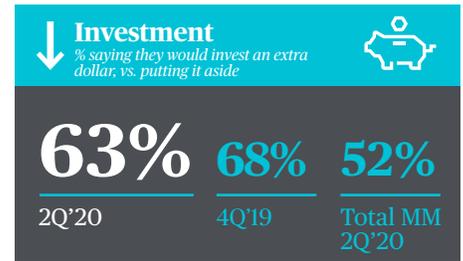
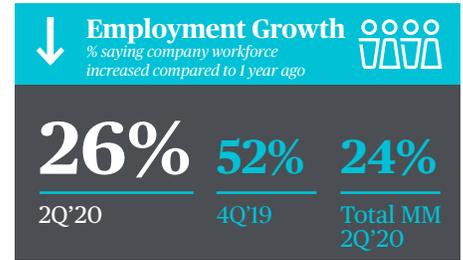
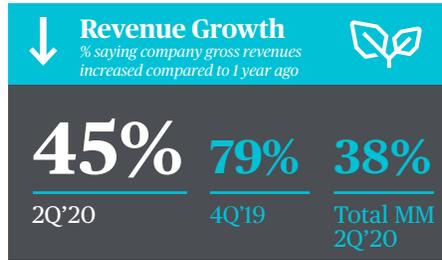
Industry Outlook

The impact of the pandemic is evident in all four economic indicators, with revenue growth, employment growth, economic confidence, and investment all down since Q4 of 2019 for manufacturers. However, as an industry, manufacturing scored higher than the total middle market in each indicator, most prominently in revenue growth (+9 pts) and investment (+9 pts).

The perception of risk has also increased, with nearly half of manufacturing executives believing risk will increase over the next 12 months (+5 pts from Q4 '19). Executives also believe risk for their company will increase (52%), a 9 pt increase from Q4 2019.

Over half of executives believe managing risk is extremely or very important.

For the first time in several quarters, the challenge of managing risks arising from the state of the economy, both in terms of growth and costs, and supply chain risk, surpassed cybersecurity. It's also worth noting the challenge of managing competitive risk, both domestic and global, increased by 8 pts.



Perception of Risk Across Manufacturing



Challenge of Managing Risk (Extremely/Very Challenging)



Integrating insurance products can help manufacturers manage the risks associated with key challenges identified in the survey.

Cyber security

The physical and digital worlds are increasingly connected, leading to disruptive cyberattacks that may impact the delivery of products and services to customers. Working with an insurance provider that offers pre- and post-breach cyber services is crucial to mitigating cyber risk, which is as much about service as it is about traditional insurance risk transfer. Pairing industry-leading cyber services with robust and integrated insurance solutions helps protect your balance sheet and enables you to respond to claims from customers and other third parties.

Competitive risk - Global

Globalization represents, at the same time, both tremendous opportunities and challenges for manufacturers. As operations expand overseas, it is critical to ensure that your insurance program contemplates exposures for employees travelling overseas as well as coverage for owned and leased facilities.

Competitive Risk - New and disruptive competitors

Manufacturers are increasingly embracing new ways of conducting business to improve productivity and stay ahead of the competition. For instance, companies like yours are offering bundled services in conjunction with their product offering. Therefore, it is critically important to help guard against financial injury resulting from a product or service not meeting customer standards. While warranties or contractual remedies exist, they alone cannot replace the lost revenue or reputational damages due to an actual or alleged product or service defect or failure to perform. An Errors and Omissions solution may help to fill this often-overlooked gap in an insurance program

Catastrophic incidents (not cyber)

Downtime caused by a business disruption can be devastating to your reputation, and bottom line. The use of extra expense dollars may assist in getting your manufacturing operation up and running as quickly as possible. Further, a robust disaster recovery plan that contemplates supply chain continuity, property restoration efforts, and other business critical aspects of your operation should be leveraged to help minimize the impact a catastrophic event.

It's important to consider how an integrated insurance program can help your technology business protect its balance sheet. Contact your agent or broker to ensure you are adequately protected from the risks identified in the survey, and other emerging risks in the manufacturing industry.

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