



MANUFACTURING

MARKET TRENDS

While challenging market conditions remain, there are some positive indicators for businesses. In the second half of 2021, the scale of rate increases decelerated. While insurance prices are still above their historical averages, we expect to see a continual softening of the insurance market for many lines.

LINE OF COVERAGE	PRICE PREDICTION FORECAST
COMMERCIAL PROPERTY	Overall: Flat to +10%
GENERAL LIABILITY	Overall: Flat to +10%
COMMERCIAL AUTO	Overall: +5 to +15%
WORKERS' COMPENSATION	Overall: -5 to +5%
CYBER LIABILITY	Overall: +15 to +50%
DIRECTORS AND OFFICERS LIABILITY	Private/nonprofit entities: +5 to +15% Public companies: +5 to +25%
EMPLOYMENT PRACTICES LIABILITY	Overall: +5 to +15%

In 2022, we predict that most policyholders will encounter another year of modest rate increases. Renewal results will likely depend on an organization's exposures, class, and loss history. Policyholders who operate in sectors with elevated general liability exposures, such as manufacturing may be more prone to double-digit rate increases and increasingly restrictive underwriting standards, as well as experience significant difficulties securing or maintaining higher coverage limits.

IMPACTS ON TRENDS

The following are additional factors that are currently influencing insurance rates in the manufacturing industry:

SUPPLY CHAIN & INFLATION ISSUES

The sectors that have experienced the greatest supply chain difficulties include the manufacturing, construction, and retail trade industries. Several economic experts believe these supply chain issues will continue into at least the first half of 2022 before eventually subsiding.

SURGING SINGLE-FATALITY EXPENSES

Single-fatality losses have become an increasingly prevalent concern within the liability insurance space over the past decade. Such losses can stem from various scenarios (e.g., on-site accidents, product defects, and commercial auto crashes) in which organizations are held liable for the resulting fatalities. Although these losses have occurred across industry lines, the manufacturing and construction sectors collectively contribute to more than one-third (35%) of overall single-fatality losses, primarily due to their high-risk operations.

LABOR SHORTAGES

The past year has seen labor shortages across industry lines. According to a recent study from the Society for Human Resource Management (SHRM), nearly 90% of organizations are having a hard time filling open positions. The industries experiencing the most substantial labor shortages include manufacturing, hospitality, health care and retail. The manufacturing sector is currently facing over 800,000 job openings, highlighting a major labor crisis.

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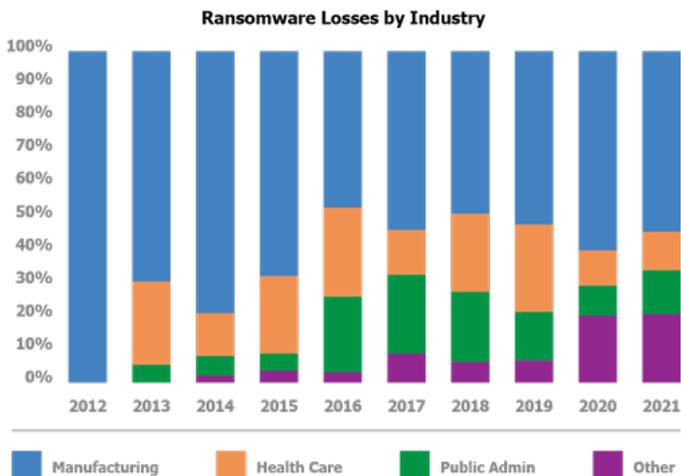


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To combat these shortages, some manufacturers have leveraged artificial intelligence instead of employees to complete daily tasks. On the other hand, some manufacturers have reduced their job requirements relating to criminal history, legal marijuana usage and previous work experience to expand their candidate reach. Yet, this change in criteria can lead to an underqualified workforce, increasing instances of job site accidents and subsequent liability issues.

RANSOMWARE

The manufacturing industry is a high-value target for ransomware attacks. From 2019 to 2021, ransomware attacks in manufacturing doubled, making it the most targeted industry in 2020 and 2021. Most manufacturers have embraced automation and digitization, but many only store files locally, leaving them vulnerable to attack.



As processes and production are dependent on communication with companies' networks, these ransomware attacks can shut down the manufacturing of their product and cause a loss of business income.

Manufacturing companies also store high-value

data, such as intellectual property and trade secrets, which makes manufacturers more likely to pay if their information is stolen or hackers threaten to publish it online. In some cases, hackers will steal data involving third parties as well, such as clients, suppliers, and partners. This gives them even more leverage to extort money in a ransomware attack.

HOW KAPNICK CAN HELP

Despite challenges to the industry, Kapnick can help. We have a variety of resources, partnerships, and strategies to ensure you have the right program in place for your needs and long-term goals.

SOME OF THESE TOOLS INCLUDE:

- Provide education on key market changes affecting your rates and how to respond using loss control measures.
- Begin the renewal process early. Many insurers are seeing an increased submission volume. Timely, complete, and quality submissions are vital to ensure your application will be reviewed by underwriters.
- Determine whether you will need to adjust your retentions or limits to manage costs.
- Provide risk assessments to recommend safety training and injury-prevention methods.
- Recommend telemedicine options, and workplace wellness initiatives aimed at preventing or treating chronic health conditions and improving the overall well-being of your staff. These initiatives can help reduce the risk of your workforce developing co-morbidities.