



Manufacturing BENCHMARK REPORT

Key Findings

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Key Findings

Manufacturing Benchmark Report

This benchmark study represents our third annual survey of the purchasing habits of manufacturers that are insured through our Partner Firms. It includes data from over 1,000 manufacturing companies of various sizes and specialties.

The survey presented several interesting observations that represent a changing insurance marketplace.

Property Insurance

- There was significant variability in the relationship between revenue and property values, driven by business specialty.
- Property rates have increased 37 percent on average compared to last year.
- Property deductibles have increased across all revenue sizes compared to last year.
- Property deductibles increased as the total insured value increased.



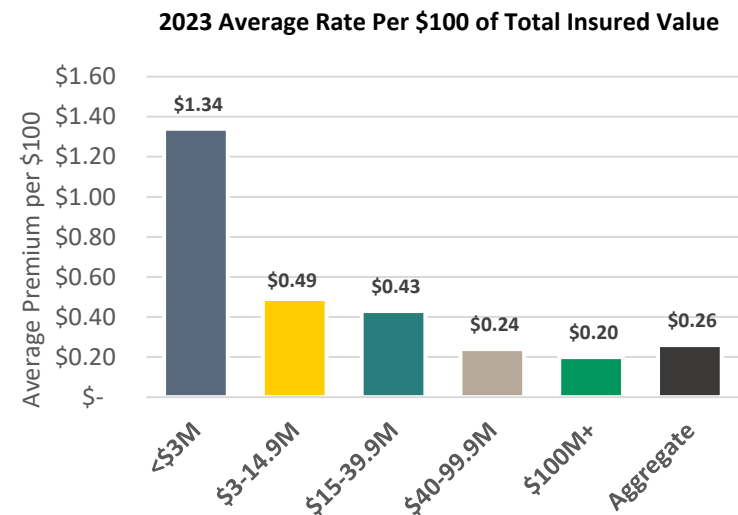
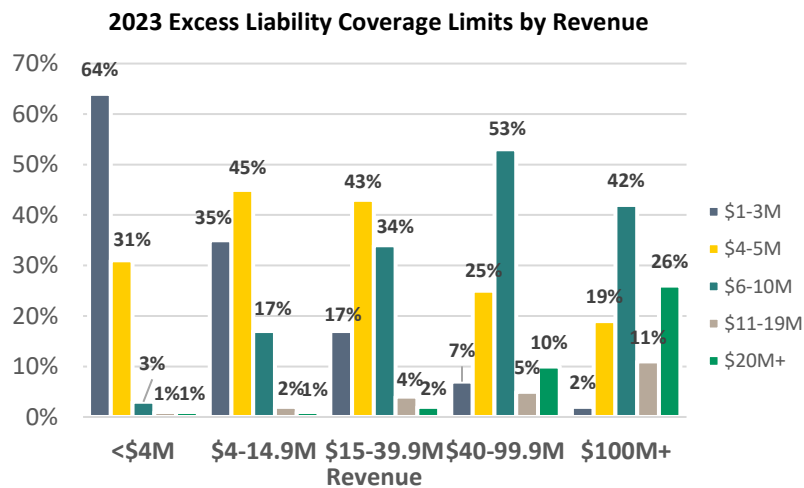
General and Excess Liability Insurance

- General liability rates increased 18 percent on average compared to last year's survey. Small firms experienced much higher liability rates than large firms.
- Larger organizations tended to purchase significantly higher excess liability limits than smaller ones.
- Excess liability limits decreased on average compared to last year and were significantly lower than we expected for larger manufacturers.
- The average excess liability premium per million of coverage limit has increased by 24 percent compared to last year.

Ancillary Coverages

- The percentage of firms purchasing directors and officers liability coverage has increased compared to last year's survey, as have the limits purchased.
- D&O premiums increased 37 percent on average compared to last year.
- The percentages of firms purchasing manufacturer's errors and omissions coverage and environmental impairment liability both declined substantially compared to last year.
- The percentage of firms purchasing cyber liability coverage decreased significantly compared to last year's survey.

The report includes many graphs, such as those below, that aid in the interpretation of data.



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Top Trends

Manufacturing Industry



The manufacturing sector has seen relatively strong growth over the past two years as the economy recovered from the COVID-19 pandemic. Most economists expect moderate growth to be sustained through 2023 due partly to 2022 federal legislation, specifically the CHIPS Act and the Inflation Reduction Act. Growth may continue to be constrained by challenges resulting from supply chain bottlenecks and attracting an adequate, educated workforce. Inflationary pressures will continue increasing the cost of raw materials and component parts, squeezing profit margins.

- According to the U.S. Department of Commerce, manufacturing companies contributed \$2.3 trillion, or 11.9 percent, of the U.S.'s Gross Domestic Product in 2021, the last year for which data is available.¹
- According to the Bureau of Labor Statistics, employment in U.S. manufacturing has grown to 13 million people. An additional 800,000 new jobs are anticipated in the next two years.
- Manufacturing contributed \$2.3 trillion or 10.8 percent to U.S. Gross Domestic Product.
- There were 779,000 unfilled manufacturing jobs in the U.S. at the end of Q4, 2022.⁴



A review of several authoritative sources projects the following key trends for the American manufacturing industry in 2023.

- The consensus for economic growth rate in 2023 is about 2.5 percent, which reflects inflationary and potential recession impacts.
- In the most recent National Association of Manufacturers survey, three of four manufacturing business leaders listed quality talent acquisition as a primary 2023 business challenge.⁴
- Supply chain challenges and increased raw material costs were the next major issues.⁴
- Federal legislation in the Inflation Reduction and Recovery Act and the CHIPS Act will focus on rebuilding manufacturing capabilities and reshoring jobs in America.
- Ongoing workforce shortages will require increased automation, robotics, and technologies to enable virtual and remote work.
- "Industry 4.0" will increase the implementation and expansion of analytics, machine learning, and artificial intelligence.³
- The factors leading to greater digitization, automation, and remote work increase the need for enhanced cybersecurity measures.

- There will be a greater, more widespread movement toward environmental sustainability.⁵

How will the anticipated trends for 2023 affect the risk management decisions facing the American manufacturing industry?

- Restructuring American manufacturing with new facilities and reshoring jobs will create new exposures risk managers may not have faced in recent years.
- Historic volatility in the stock market will force public and private firms to increase their focus on protecting their leadership with well-designed approaches to directors and officers liability.
- Supply chain disruptions demand firms develop alternative sources of key components to ensure their manufacturing processes can continue.
- Greater digitization of manufacturing processes has increased vulnerability to cyber-attacks across industry, and demands increased attention to cyber security, including adequate, isolated backups of systems.
- Expanded work site benefits approaches may enhance the ability of firms to attract and retain workers.

1. Manufacturing Industry Statistics, Applied Economics Office, National Institute of Statistics, US Department of Commerce
2. 2023 Manufacturing Industry Outlook, Paul Wellener, Kate Hardin, Kruttika Dwivedi, Deloitte Research Center for Energy and Industrials, Deloitte Services, LLP
3. Making it in America: Revitalizing US manufacturing, November 13, 2021, Sree Ramaswamy, James Manyika, Gary Pinkus, Katy George, Jonathan Law, Tony Gambell, and Andrea Serafino, McKinsey Global Institute, McKinsey and Company
4. What's Ahead for 2022, National Association of Manufacturers, January 19, 2022
5. The Supply Chain Trends Shaking up 2023, KPMG