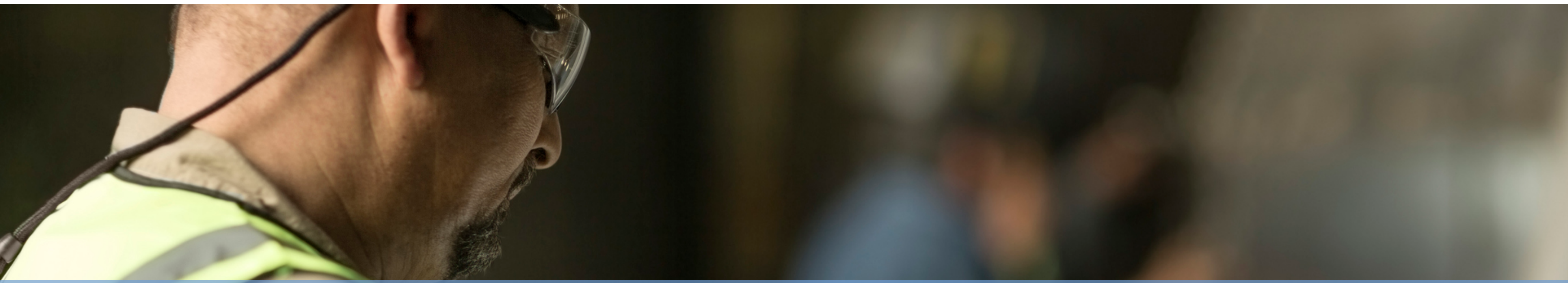

Industry Spotlight: **Manufacturing Trends and Challenges for 2021**

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Like many industries, manufacturing has been rattled by the coronavirus pandemic. In a survey by the National Association of Manufacturers (NAM), 78% of manufacturers said they expected the pandemic to have a financial impact on their business, 53% anticipated an impact on their operations, and 36% said they are facing supply chain disruptions. Pandemic-related and other critical issues have created a higher-risk environment in which manufacturers must tighten the screws in several areas:

Supply Chain

The pandemic wreaked havoc on global supply chains. Not only did it cause supply chain issues, it also made those issues more difficult to overcome, with transport severely hindered or completely halted. Meanwhile, Risk & Insurance wrote, "Manufacturers that can't deliver on their promises because of a supply chain still risk losing out on millions of dollars in potential revenue and profit." Additionally, supply chain disruptions can have legal ramifications not typically covered by standard business insurance policies.

Cybersecurity

The Industrial Internet of Things (IIoT) and the Fourth Industrial Revolution are exciting concepts for manufacturers that see opportunity in automation, artificial intelligence, robots, smart buildings, and other emerging technologies. However, cyber reliance brings cyber risk. Cybersecurity provider Datto found that 32% of managed service providers report construction and manufacturing to be most targeted by ransomware. Whether maintaining legacy technology, investing in new technology, or converging the two, manufacturers will need to prioritize cybersecurity and proactively address vulnerabilities.

Talent Shortage

In 2018, Deloitte and the Manufacturing Institute estimated that a skills gap may leave 2.4 million U.S. manufacturing positions unfilled and $2.5 trillion in manufacturing GDP at risk over the next decade. Even in May and June 2020, during the pandemic's initial peak, over 300,000 U.S. manufacturing jobs remained open. In June 2019, there were as many as 486,000 openings. As economies improve, manufacturers may see a resurgence of a talent shortage, while simultaneously managing a ramp-up in demand.

Diversity

While discussing a vaccine for COVID-19, Merck CEO Kenneth Frazier addressed another topic that defined 2020: racial justice and the movement for systemic change. As one of just four Black CEOs in the Fortune 500 and having taken a stand in 2017 by resigning from President Trump's American Manufacturing Council, Frazier has an extremely powerful voice, both within the manufacturing industry and in the greater fight for equality.

"Corporate America is asking what it needs to do about racial inequality. And we are working on a lot of issues: education reform, criminal justice reform, other issues like that, health care reform," Frazier told Harvard Business School. "But the nexus between corporate America and what Black America needs the most, in my opinion, is employment."

Frazier also discussed the issue in-depth with the Manufacturing Institute, where he gave advice to help other CEOs improve diversity and inclusion in their organizations.

Rebound and Risk Management

2021 will hopefully see the pandemic subside and the manufacturing industry begin to stabilize for the future. As manufacturers work to recover from a rollercoaster year, they must manage and mitigate risks, from the factory to the end user and every step in between. While risks involving bodily injury or property damage are usually covered by General Liability (GL) insurance, other risks stemming from manufacturing or service mistakes may present a gap in coverage. For the latter, tailored Errors and Omissions (E&O) coverage could be the solution. A Manufacturers E&O policy can protect against the many potential financial exposures not involving bodily injury or property damage.

Learn more about manufacturers E&O coverage. Read the e-book.

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