


# It's Raining Rate Increases

## Environmental Factors Affecting Manufacturing Insurance Rates and Renewals



If you're tired of hearing about how commercial property insurance rates are on the rise, unfortunately this is an issue that's likely to persist for the foreseeable future. A multitude of negative factors have conflated at the same time that have put pressure on the market in a manner that's made it harden. A hardened market is a term that describes when carriers show limited appetite for risk, increased underwriting scrutiny, and less favorable terms for coverage at a higher premium cost.

In this article, we'll focus on one of the greatest variables impacting insurance rates and renewals in the manufacturing industry: the environment. Every year, we're seeing intensifying instances of flooding, extreme cold, wildfires, hurricanes, and tornadoes.

Environmental changes due to climate change are reshaping the world as we know it. The overwhelming majority of experts agree that climate change is to blame for the uptick in extreme and unpredictable weather events. In 2021, 18 weather-related disasters each caused \$1 billion or more in damage. In the first half of 2021, natural disaster caused \$42 billion dollars in losses globally, which was a ten-year high.



Insurance companies rely on the historical pattern of past events in their risk calculations, which is why the unpredictability of natural catastrophes has wreaked havoc on insurance rates and led to increasing scrutiny in the underwriting process. Additionally, underwriting strategies have yet to adapt to how interconnected weather events impact loss patterns and profitability.

At this point, you've probably at least heard about some of the ways environmental issues create massive risk exposures around the globe. **Here are other specific ways the environment can pose a risk to the manufacturing industry.**



### **COLD WEATHER**

Extreme cold can impact manufacturing by disrupting logistics, damaging equipment, and ruining infrastructure. Additionally, cold weather can also limit workers' dexterity and lead to accidents that result in worker's compensation claims.



### **POLLUTION DISRUPTIONS**

In countries with large concentrations of factories, smog and deaths related to air pollution are becoming an even more serious problem. Ultimately, the toll on human life is something that we can't quantify. On the other hand, it's easier to see how mounting fines can lead to factory closures then can leave manufacturers down the line without the supplies they need to manufacture their goods. The interruptions that we've seen to supply chains globally since the COVID-19 pandemic prove just how fragile these systems are and how manufacturers need to do everything in their power to protect their supply chain from risks.



### **HIGH HUMIDITY**

High humidity is often a byproduct of intense storms and flooding that can impact many aspects of manufacturing, such as packaging, storage, buildings, equipment, and even the final product. Electronic components run the risk of getting ruined, and cardboard stored in humidity can develop mold. These are just a couple of scenarios that can lead to financial losses for manufacturers.



### **SUSPENDED OPERATIONS**

Severe weather events can upend manufacturing operations by causing severe damage to facilities that might even result in a total loss. If facilities are damaged enough, this can result in lost revenue. With the unpredictable availability of raw materials and goods, the cost and time to rebuild after extensive damage present an even greater risk than before.



## **AVAILABILITY OF RESOURCES**

On top of impacting rebuilds, natural disasters also impact the availability of raw goods and materials needed to produce manufactured goods.



## **SUPPLY CHAIN**

Manufacturers need to think about all the ways they can build resiliency in the age of supply chain disruptions, and this includes an assessment of the supply chain's vulnerability to extreme weather events on both a local and global level.

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The manufacturing industry currently faces pressure from many different directions, with environmental factors being just one area of exposure leaders in the space need to mitigate. Manufacturers who need help navigating the complexities of risk mitigation and insurance placement in a hardened market can contact our team of manufacturing experts.

[Connect with our manufacturing team](#) to learn more about how we can help you.



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