

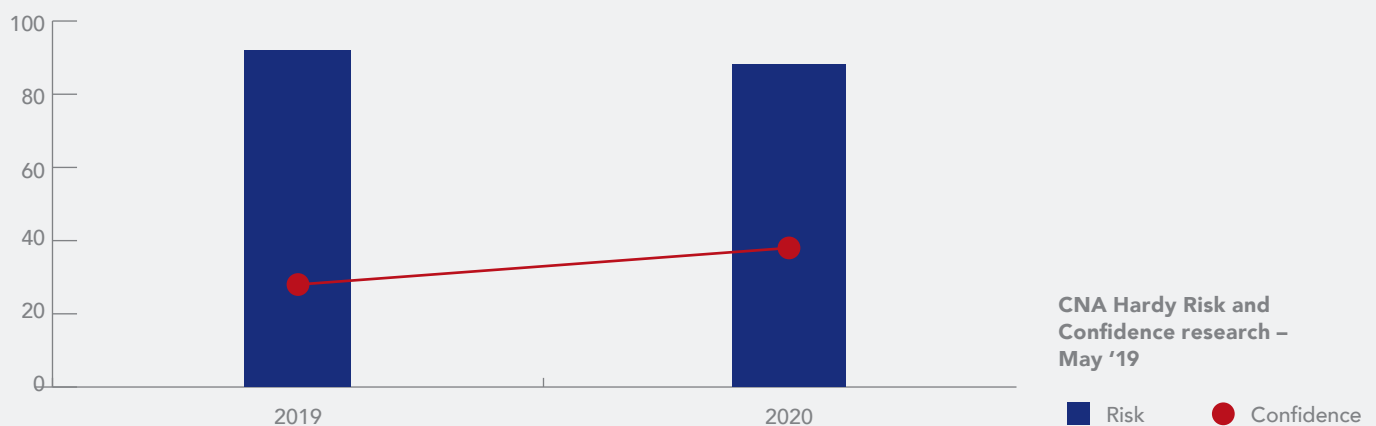


2020 Prediction: Economic and supply chain issues dominate life science risk perceptions

Brexit brings some serious challenges for UK life science businesses, most notably in terms of the regulation and funding of clinical trials, adding barriers to investment in the UK and threatening access to the latest medicines. However, the dominance of Britain as a life science destination in Europe means well over a third of sector leaders remain confident in the ability of their business to grow and prosper as they look ahead to 2020.

This is the case despite the fact that an astonishing 88% of sector leaders still anticipate they will be operating in a moderate to high risk environment.

UK life science firms' risk and confidence predictions



The two fastest growing 2020 risks for the life science sector are economic and supply chain risks, and supply chain, which is expected to rise 17%¹.

Perhaps to a greater degree than many other sectors, life sciences faces particular economic risk exposure – changing government policy; pricing pressures; expanding demand for access to healthcare and to therapies; and emerging digital and analytical capabilities are combining to push companies to explore new business models and new ways of working with customers – public and private.

But supply chain is also a fast-growing concern. The potential for divergent regulatory environments between the UK and the EU could also establish a non-tariff barrier requiring additional time, effort and therefore cost to resolve. The impact is likely to be significant on those operating with low-margin products (e.g. generics) but also on higher end pharma and medical device companies managing complex materials and technology flows expected to be particularly impacted.

Business leaders clearly believe the problems are surmountable with more feeling confident as they look ahead to 2020 than in 2019. But while it is possible to manage and mitigate supply chain risk, economic risk is a broader and more complex category of risk entirely. Insurers and brokers will need to pull out all the stops to support companies to manage their enhanced risk profile during this difficult period.

¹CNA Hardy Risk and Confidence research was undertaken between February and March '19, via an online survey of 1,500 business leaders of multinational firms with operations in Europe. Qualitative research was undertaken in May '19. In the UK 450 business leaders from 9 different business sectors, with a turnover ranging from £5m to £1bn+ were surveyed.

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