

Biomedical and life sciences

An opportunity for brokers

The biomedical and life sciences industry is a growing sector offering a wide range of opportunities to the broking community. It's SME driven and very diverse; and it's not just London and the South East, it includes Scotland, South Wales and North West England, especially Liverpool and Manchester.

The UK Government has recognised the role of SMEs in life sciences and is working to build a life sciences ecosystem, with the aim to create a more collaborative market. These ecosystems are needed to attract and develop talent – young scientists need to be encouraged and economic incentives need to be brought in. There's an opportunity for brokers here.

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The UK Government's latest report on the state of the life sciences industry in the UK certainly stresses the potential – and the numbers – involved. Entitled 'Strength and Opportunity 2013' the annual report points out that: “the life sciences sector in the UK consists of 4,980 companies developing, producing and marketing products and services in the pharmaceutical, medical technology, medical biotechnology and industrial biotechnology markets. In total the sector employs 176,000 people in high technology companies across the UK. The industry sells into a global industry with current total market values of £612bn for pharmaceutical and biologics, £223bn for medical technology and £32bn for the rapidly growing industrial biotechnology market. These markets have historical strong growth rates and forecast rates are 8-10% per annum. Life science companies based and operating in the UK generate £52bn in turnover from sales into the UK and overseas and this represents approximately 6% of the world market sales.”

The report also breaks down the number of companies in this sector, according to the database that it has created – it states that there are 3,309 medical technology companies, 1,073 medical biotechnology companies, 477 pharmaceutical companies and finally 121 that are involved in industrial biotechnology. However, when it comes to turnover

pharmaceutical companies have the lion's share, with £29.3bn, followed by medical technology (£17.6bn), medical biotechnology (£4.2bn) and then industrial biotechnology (£0.61bn).

Economic activity in the life science industry is spread throughout the UK, although there are geographical concentrations. Pharmaceutical and medical biotechnology sites and their associated employment are concentrated in the South and East of England including London, along with the North West of England and Scotland. The medical technology sector is more widely distributed.

In addition, there are a large number of other companies linked to the life sciences sector. The UK Government report adds: “All sectors, particularly the pharmaceutical and medical biotechnology sectors, outsource a significant proportion of activity to large supply chain networks. The specialist suppliers and services sector is therefore integral to the overall life science industry. Across all the lifesciences sectors in the database there are an estimated 1,400 companies that supply services such as clinical trials management, assay development, regulatory advice, design expertise and products such as reagents and specialist equipment. Companies in the database carrying out this activity employed an estimated 31,800 staff and generated a turnover of £6.3bn in 2012-2013.”

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Financial and professional services firm Jones Lang LaSalle (JLL) has also been looking at the UK life sciences sector. According to its 2014 Life Sciences Cluster Report: “In 2013 the United Kingdom remained the largest country in Europe with regard to life sciences turnover. The life sciences industry is one of the largest contributors to the UK's economic growth, primarily due to its strong R&D base and large life sciences workforce. When compared with the other European countries covered in this report the UK has the highest share of researchers as part of its full time R&D workforce.”

In addition JLL adds that “SMEs can claim relief worth 25 pence per every pound of qualifying expenditure, one of the most generous tax breaks in the world.” JLL's UK sector report also stated that it foresees an expansion in the UK life sciences sector over the next few years.

The sector obviously offers many opportunities, but it's important to stress that these opportunities need to be properly understood and the risks involved properly assessed.

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In our experience most brokers will have at least one or two risks that would fall within our definition of biomedical and life sciences, whether that be a pharmaceutical R&D company, a medical device distributor or a contract research company. There is a historic relationship with the South East of England which is hugely important for the growth in the sector, but we actually find the majority of our business enquires come from across the UK. There's a lot of investment from academic institutes, NHS trusts and large Pharmaceutical companies in to the commercialisation of cutting edge science and technology. This investment occurs at a very local level, presenting a growing opportunity around the UK for our brokers to invest their time in this sector. We can offer support and guidance on assessing the unique exposures faced by businesses in the biomedical and life sciences sector via our team of specialist underwriters, who operate throughout the UK.



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Simon has been an insurance underwriter for 19 years, specialising in biomedical and life sciences for the last 14 of them, joining Markel in 2012 with a brief to develop the biomedical and life sciences proposition.