



Why Manufacturers Need E&O Coverage

There's been a resurgence of manufacturing in the U.S. – a direct result of incentives to relocate production stateside. Longer supply chains, technology integration and detailed production processes continue to increase the potential for errors, while regulatory scrutiny and evolving industry standards add layered complexity to emerging risks. As a result, comprehensive errors and omissions (E&O) coverage is more essential now than ever before for manufacturers.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Who benefits from manufacturer's E&O coverage?

E&O coverage is a safety net for manufacturers to protect them from financial loss associated with product or service errors. Policies can also cover legal fees, settlements and judgements resulting from manufacturing mistakes or negligent service.



This coverage is critical for manufacturers engaged in:

- Assembly, fabrication, and installation
- The design and engineering of a product
- Distribution and logistics coordination
- Marketing and licensing
- Labeling, printing, and packaging
- Product use training and instructional support
- Raw material procurement
- Advice and consulting services

Regulations and contractual requirements often mandate E&O insurance, particularly in industries where manufacturers provide professional services, design consultation or technology integration, while many suppliers and customers also require manufacturers to carry E&O coverage to mitigate financial exposure and push risk off of their balance sheets.

An essential part of coverage

General and product liability policies primarily cover bodily injury and property damage; they do not cover faulty product repair, replacement or consequential financial losses. Manufacturers E&O, however, protects against financial loss resulting from manufacturing errors and omissions.

Manufacturer's E&O insurance protects against a range of losses - if a product is faulty, poorly designed or incorrectly manufactured, E&O steps in to cover the resulting financial damage, even if there's no bodily injury or property damage involved. It also covers negligence, such as failing to deliver promised services or providing incorrect product instructions that lead to business interruptions or lost profits for a client.

Additionally, E&O insurance protects against ADA compliance issues and intellectual property disputes involving copyright or trademark infringement. Legal costs, disciplinary proceedings and subpoena requests may also be covered, along with expenses tied to crisis management.

If the problem stems from the design, manufacturing, sale or installation of the product (including training and maintenance), E&O coverage can help ensure that your client's business is protected from financial fallout. For example, if a manufacturing flaw causes a third-party business to lose revenue or incur recall costs, E&O insurance can help cover those losses. This level of protection can help manufacturers avoid significant financial strain and reputational damage.

What to look for in a policy

When selecting an E&O policy, work with your client to help ensure that their coverage includes:

- ✔ Product recall sublimit for all recall-related costs
- ✔ Cyber event and technology failure protection to address errors leading to product failure or production interruptions
- ✔ Pollution liability for environmental damage caused by products at third-party locations
- ✔ Coverage for independent contractors
- ✔ 100% defense allocation for comprehensive legal defense support
- ✔ No hammer clause
- ✔ No exclusion for punitive damages
- ✔ Engineering and design affirmatively covered

Emerging risks such as cyber threats, automation failures and supply chain disruptions further underscore the need for a robust E&O policy. As more manufacturers incorporate artificial intelligence (AI) and automated systems into their processes, the potential for technology-related errors grows, making coverage that includes cyber liability and technology errors increasingly important.

Partner with Amwins

Amwins understands the manufacturing industry and its evolving risks. We identify those crucial coverage gaps, including those related to technology services and ancillary professional services, and connect you with the right solutions to mitigate exposures. Partner with us to secure the right E&O coverage and help protect your clients from costly errors.

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