



# Manufacturers E&O coverage: Think beyond the obvious

Bridge the General Liability gap with insurance for the unknown, unseen, and otherwise uncovered.

Munich Re Specialty Insurance

Munich RE 

## A manufacturer makes a mistake.

Errors and Omissions (E&O) insurance fills a critical gap in GL and other traditional lines by protecting against financial exposures not involving property damage or bodily injury.

It is a form of professional liability insurance designed to stand alongside GL, Product Recall, and any other standard policies the insured has in place.

Manufacturers E&O coverage is tailored to the many underlying risks that manufacturers face. These risks—and, in turn, the importance and value of a separate E&O policy—can sometimes be overlooked by both insurance brokers and manufacturers. Meanwhile, some companies may require vendors to carry E&O coverage, leaving a manufacturer scrambling for a policy in order to secure a contract.

Will General Liability (GL) insurance cover the damages? Not always.



Property damage



Bodily injury



~~Manufacturing and service mistakes~~

# Manufacturers are operating in a high-risk environment.

For example, the COVID-19 pandemic has caused countless ripple effects, resulting in risks that lie far below the surface of daily operations. Labor and talent shortages, supply chain disruption, and cyber threats are three of the most critical risks manufacturers face today. These risks have the potential to result in a claim for financial damages if a manufacturer fails to deliver goods or services as per agreements.

## We're here to help.

Munich Re Specialty Insurance (MRSI)<sup>1</sup> provides Manufacturers E&O coverage to many types of manufacturers as part of its Miscellaneous Professional Liability (MPL) insurance to cover these risks and others at large amounts.



U.S. Manufacturing risks  
2020-2021

Trends	COVID 19 Talent/special skills gaps Workplace safety Marijuana use	COVID 19 Trade/tariff wars Talent/special skills gaps Natural catastrophes 3rd party vendor reliance	Industry 4.0/IIoT Digital/software technologies 3rd party vendor reliance
Risks	Labor shortages	Supply chain disruption	Cyber threats
Results	Errors & Omissions exposures - Manufacturing and service errors - Late delivery		

<https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/manufacturing-industry-outlook.html>  
<https://riskandinsurance.com/9-critical-risks-facing-the-manufacturing-industry/>  
Industry Week Special Report The Future of Manufacturing: 2020 and Beyond [https://www.nist.gov/system/files/documents/2016/11/16/iw\\_kronos\\_research\\_report\\_2016.pdf](https://www.nist.gov/system/files/documents/2016/11/16/iw_kronos_research_report_2016.pdf)

# What's covered

A comprehensive Manufacturers E&O policy provides coverage for mistakes or acts of negligence by the insured that result in a third-party's financial loss without bodily injury or property damage during:



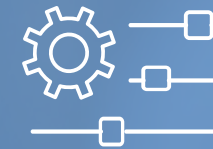
Assembly



Design



Distribution



Calibration



Installation

**This coverage is ideal for manufacturing production, including:**

- Make-to-Stock (MTS) - Advance production for anticipated demand.
- Make-to-Order (MTO) - Customized to customers' specifications.
- Make-to-Assemble (MTA) - Stocked ahead and assembled after order received.



#### Claims scenarios

## Manufacturing error: covered

A customer asked our insured manufacturer to produce 3,000 cables for bicycle brakes, each with a length of 2.5 inches. The manufacturer agreed and made the cables—except they were 2.25 inches long and therefore unusable.

The customer sued the manufacturer for making the wrong-sized brake cables and alleged financial loss because of their inability to use the product. E&O policies generally provide coverage for financial losses arising from the manufacturer's error up to the limit of liability specified in the policy. Defense coverage, which covers the manufacturer's legal costs arising from the lawsuit, is also part of E&O coverage.



#### Claims scenarios

## Inadequate performance: covered

A New Jersey retail store asked a manufacturer to help make 10,000 turkey basters for their annual Thanksgiving sale. The delivery of the basters was scheduled for the last Saturday before Thanksgiving.

Due to a clerical error by the manufacturer's intake department, the wrong delivery address was entered into the system and the basters were delivered to another retail store in California. As a result, the basters weren't delivered to the correct store until a week later, after the mistake was recognized and Thanksgiving had passed.

The retail store sued the manufacturer for late delivery and the lost profits on 10,000 basters from the Thanksgiving sale, based on past years' sales. An E&O policy would generally provide coverage to the manufacturer for this error, up to the manufacturer's limit of liability along with the manufacturer's legal costs.



#### Claims scenarios

## Faulty workmanship: covered

A New Orleans gift shop sent in a design for an order of 5,000 refrigerator magnets printed with “Mardi Gras” to be sold during the city’s famous Carnival celebration. The manufacturer had a meeting with the customer to review the design, where they obtained final sign-off for production.

When the 5,000 magnets arrived, the gift shop noticed that “Mardi Gras” was misspelled, making the magnets unsellable. The gift shop sued the manufacturer for the money they paid for the magnets as well as lost profits from projected sales. Because the magnet manufacturer had an E&O policy in place, the financial loss of the gift shop triggered coverage up to the written limit of liability along with legal costs.



# Why MRSI?

Manufacturers E&O coverage is unique and complex. While many insurers may offer E&O insurance, few can provide coverage specifically for manufacturers and for large amounts.

Munich Re Specialty Insurance offers professional liability coverage that addresses the unique risks that manufacturers face in today's environment.

## You get:



### Stability

Set a strong foundation for success with unparalleled capacity and comprehensive, customized solutions provided by MRSI's A+ rated carriers.



### Expertise

Understand the crucial Manufacturers E&O details that many brokers and clients don't recognize.



### Service

Receive support from a best-in-class claims teams, dedicated to fast handling of professional liability claims with close attention to detail. Plus, gain access to MRSI's full breadth of offerings through a dedicated Broker Relationship Leader.



Let's talk

## Let's get more of America's manufacturers covered.

During volatile times and for the future ahead, MRSI is committed to equipping manufacturers for risk, growth, longevity, and success.

Speak with one of our experts to learn more about Manufacturers E&O coverage.

Munich Re Specialty Insurance.  
Solutions for today and tomorrow.  
Learn more at [munichrespecialty.com](https://munichrespecialty.com)

## Contact our experts



**Marcia Blanco**  
Head of Professional Liability  
Phone: (415) 601-4333  
[mblanco@munichre.com](mailto:mblanco@munichre.com)



**Ismail Adebayo**  
Vice President  
Phone: (609) 480-5347  
[iadebayo@munichre.com](mailto:iadebayo@munichre.com)



**Kelly J. Basler**  
Senior Vice President  
Phone: (404) 823-1345  
[kbasler@munichre.com](mailto:kbasler@munichre.com)



**Kevin Burt**  
Senior Vice President  
Phone: (312) 257-0754  
[kburt@munichre.com](mailto:kburt@munichre.com)



**Ursula Williams**  
Senior Vice President  
Phone: (415) 238-3592  
[uwilliams@munichre.com](mailto:uwilliams@munichre.com)

<sup>1</sup> Munich Re Specialty Insurance (MRSI) is a description for the insurance business operations of affiliated companies in the Munich Re Group that share a common directive to offer and deliver specialty property and casualty insurance products and services in North America. Products and services are underwritten and provided by The Princeton Excess & Surplus Lines Insurance Company (PESLIC), an affiliate of Munich Reinsurance America, Inc. PESLIC is a surplus lines insurer and surplus lines coverage can only be placed by or through a licensed surplus lines producer or broker. The information contained herein is intended for surplus lines brokers and producers. It also is intended as general information only and does not constitute an offer to sell or a solicitation of insurance. Any descriptions of coverage contained in this information sheet are meant to be general in nature, may not be available in every state, may vary by state, and do not include nor are intended to include all of the actual terms, benefits, and limitations found in an insurance policy.

<sup>2</sup> See A.M. Best ratings for AAIC and PESLIC by [clicking here](#).

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