



Understanding E&O Exposures in Manufacturing

While most manufacturers focus on the quality of their products, the possibility of an error or omission can introduce significant risks that could threaten the financial stability of a company. This is where Manufacturing Errors & Omissions (E&O) insurance comes into play.

What is Manufacturing E&O Insurance?

Manufacturing E&O insurance is a specialized type of coverage that protects manufacturers against claims arising from mistakes or oversights in the design, production or sale of their products. Unlike general liability insurance, which covers bodily injury and property damage, E&O insurance is specifically designed to address the financial losses that can result from errors or omissions that impact the performance or quality of a product.

Why Carry this Coverage?

1. Design Flaws

- **Exposure:** Manufacturers who also provide design services, such as custom product development or engineering, face the risk of design errors. If a product is manufactured according to a faulty design and it fails, causing financial loss or physical damage, the manufacturer could be held liable.
- **Example:** A manufacturer designs and produces a custom component for an automotive company. If the component fails due to a design flaw, leading to a recall or significant financial losses for the automotive company, the manufacturer could face a claim.

2. Product Failure due to Inadequate Instructions or Specifications

- **Exposure:** If a manufacturer provides incorrect or unclear instructions or specifications, leading to product failure, they could be liable for any resulting damages.
- **Example:** A manufacturer produces industrial machinery with inadequate operational instructions, leading to improper use and subsequent equipment failure. This could result in claims against the manufacturer for losses incurred by the client.

3. Professional Services Related to Manufacturing

- **Exposure:** When manufacturers offer services beyond just producing goods—such as consulting, installation, or after-sales service—they are exposed to potential E&O claims if these services are deemed inadequate or faulty.
- **Example:** A manufacturer of medical devices offers consulting services for the setup and calibration of their products. If the advice is incorrect, leading to malfunctioning equipment and patient harm, the manufacturer could be liable.

Manufacturing E&O insurance is not just a luxury—it's a necessity for businesses in the manufacturing sector. By understanding the key exposures and securing the appropriate coverage, manufacturers can protect themselves from the hidden risks that could otherwise threaten their business. As the industry continues to evolve and become more complex, the importance of having robust E&O insurance coverage will only increase.

We can help with your manufacturing clients and help you find a solution for their E&O needs.

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