



# MANUFACTURERS ERRORS AND OMISSIONS (E&O) PRODUCT OVERVIEW



Manufacturers Errors and Omissions insurance is a vital risk management tool for businesses in the manufacturing industry. It provides financial protection, enhances credibility, and promotes peace of mind for manufacturers facing the inherent risks and uncertainties of their industry. By investing in Manufacturers E&O insurance, businesses can safeguard their operations and reputation, ultimately contributing to their long-term success and growth.

Manufacturers Errors and Omissions (E&O) Insurance, also known as Professional Liability insurance, is a specialized type of coverage designed to protect manufacturing companies against claims of negligence, errors, or omissions in their products or services. This insurance provides financial protection in cases where a manufacturer is sued by a customer or client for damages resulting from mistakes or oversights in their work.

## WHAT DOES MANUFACTURERS (E&O) INSURANCE COVER?

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

The coverage options will vary depending on your company's specific needs. Typically, Manufacturers E&O insurance covers:

- Oversights, errors, or mistakes incurred during work.
- Professional negligence, material defects, or an omission of important details.
- Failure to meet a deadline or deliver a service promised to a customer.
- Breach of contract.
- Inability to meet a specific standard of care, precisely one outlined by a given profession.

Manufacturers E&O coverage can be a financial lifeline, covering legal and court costs if a manufacturer needs to defend themselves against a lawsuit. This can also include attorney and other legal fees if the business is found guilty, significantly relieving your financial burden.

Manufacturers E&O fills a critical gap in Product Liability by protecting against financial exposures not involving property damage or bodily injury.

## CLAIMS SCENARIOS:

### Manufacturing Error

A customer asked the manufacturer to produce 5,000 cables for motorcycle brakes, each with a length of 3 inches. The manufacturer agreed and made the cables, except they were 2.98 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.

### Inadequate Performance

A retail store asked a manufacturer to help make 5,000 cookies. The cookies were scheduled to be delivered on the last Thursday before the Chinese New Year.

Due to a clerical error by the manufacturer, the wrong delivery address was entered into the system and the cookies were delivered to another retail store. As a result, the cookies weren't delivered to the correct store until a week later, after the mistake was recognized and Chinese New Year had passed.

The retail store is seeking compensation for the late delivery and the substantial financial loss incurred due to the lost profits from 5,000 cookie sales, which were projected based on past years' sales.

### Faulty Workmanship

A gift shop sent a design for an order of 10,000 keychains printed with "Happy New Year 2024" for sale during the New Year celebration. The manufacturer met with the customer to review the design and obtain the final sign-off for production.

When the 10,000 keychains arrived, the gift shop noticed that "Happy New Year 2024" was misspelled, making the keychains unsellable. The gift shop sued the manufacturer for the money they paid for the keychains and lost profits from projected sales.

## ABOUT AMG

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We provide risk management, risk consulting, insurance broking, insurance program management and claims advocacy services related advice, brokerage and associated services for clients across a wide range of business sectors.

We work with clients of all sizes to identify risks, create risk management, benefits optimization, insurance programs management and deliver innovative solutions to better qualify and manage risk.

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