

Manufacturing businesses face risks that can affect their facilities, operations, products, and vehicles. A single incident, whether a fire, equipment breakdown, product recall, or vehicle accident, can have serious financial and reputational consequences.

This guide highlights the main exposures manufacturers face in four key areas, including property, business interruption, products liability, and automobile liability. For each, it outlines the most common risks along with practical controls that can help reduce the chance of a loss or limit its impact.

By keeping these exposures and controls in mind, Brokers can help clients better protect their operations and stay resilient when challenges arise.

Property

Manufacturers rely on their facilities, equipment, and inventory to keep business moving. Any damage to these assets can quickly affect operations and financial stability. The key property risks to consider are outlined below, along with practical controls that can help reduce the likelihood of loss or minimize its impact.

Exposures

- Fire from production machinery and special operational hazards (e.g., welding, flammable and combustible liquid use, etc.).
- Equipment breakdown, such as mechanical systems, electrical systems, and production machinery.
- Theft and vandalism, especially in facilities with valuable stock or limited security.
- Weather events, including flood, windstorm, or wildfire, depending on location.
- Limited or outdated fire protection that may not meet protection requirements of the facility.

Controls

- Install and maintain automatic sprinkler systems, fire alarms, and portable fire extinguishers.
- Keep flammable liquids and combustible materials properly stored.
- Implement a regular maintenance program for machinery and electrical systems.
- Strengthen site security with fencing, lighting, cameras, and controlled access.
- Work with local fire services to create a fire safety plan and ensure response readiness.



Business Interruption

A physical loss is often only the beginning of the problem for manufacturers. Interruptions to production can quickly lead to lost sales, missed deadlines, and damage to customer relationships. Below are some of the main exposures that drive business interruption losses, along with common controls that can help limit the financial and operational impact.

Exposures

- Downtime following property loss from events such as a fire, flood, or machinery breakdown.
- Dependence on specialized equipment that may be costly or slow to replace.
- Supply chain disruptions, especially if reliant on single-source or overseas suppliers.
- Utility outages (e.g., power, water, natural gas, etc.) that halt production.
- Loss of key customers or distribution channels, creating ripple effects on revenue.

Controls

- Maintain a business continuity plan that addresses critical operations and recovery priorities.
- Establish backup suppliers or stock key spare parts to reduce single points of failure.
- Explore alternate production arrangements, including outsourcing or reciprocal agreements.
- Invest in emergency power systems and utility resilience measures.
- Align business interruption insurance indemnity periods and limits with realistic recovery times.

Product Liability

Once a product leaves the facility, the manufacturer's responsibility doesn't end. Product defects, improper labeling, or inadequate instructions can all lead to costly claims and reputational damage. The exposures below highlight where manufacturers are most vulnerable, while the controls show practical steps to reduce these risks.

Exposures

- Defective products causing injury or property damage.
- Improper labeling or inadequate instructions leading to misuse.
- Failure to meet industry standards or regulatory requirements, resulting in liability.
- Product recalls, whether voluntary or mandated.
- Contractual obligations that shift liability through vendor or distributor agreements.

Controls

- Implement robust quality assurance and testing programs at all stages of production.
- Ensure clear labeling, instructions, and warnings that comply with industry standards.
- Maintain traceability systems to track raw materials and finished goods.
- Develop a formal product recall plan with communication protocols and mock exercises.
- Conduct regular contract reviews to understand liability transfer in vendor and distributor agreements.

Automobile Liability

Many manufacturers rely on vehicles to move products, deliver goods, or support operations. Whether operating a small fleet or multiple trucks, the liability exposures tied to driving can be significant. Accidents not only create direct costs but can also impact a company's reputation and ability to serve customers. The exposures and controls below highlight the key considerations.

Exposures

- Collisions leading to bodily injury or property damage.
- Distracted or fatigued driving, especially for long-haul deliveries.
- Poor driver selection or inadequate training, increasing accident risk.
- Cargo-related issues, such as shifting loads or spills causing third-party damage.
- Regulatory non-compliance with licensing, hours-of-service, or safety requirements.

Controls

- Establish a driver screening process with background checks, abstracts, and medical reviews.
- Provide ongoing training on defensive driving, distracted driving, and fatigue management.
- Use fleet telematics and monitoring tools (e.g., GPS, dashcams, etc.) to reinforce safe driving.
- Enforce vehicle maintenance and inspection programs with detailed logs.
- Create a formal fleet safety program, including policies for driver behavior, incident reporting, and regulatory compliance.

Summary

Manufacturers operate in a complex environment where property, operation, product, and vehicle risks can quickly impact both finances and reputation. While this guide highlights common exposures and practical controls, every manufacturer has its own unique challenges that warrant careful review.

At Echelon, our Technical Risk Services (TRS) team offers value-added insights and resources that support and complement the work of our Broker partners. By working together, we help clients build more resilient manufacturing businesses that safeguard people, property, and communities.

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