

Errors & Omissions Liability for Manufacturers

At Chubb, we are committed to serve manufacturers and ensure they are adequately protected from the risks associated with actual or alleged product or service defects, deficiencies, inadequacies or dangerous conditions and product of service contractual performance failures.

Errors & Omissions (E&O) insurance plays a critical part in protecting a manufacturer's balance sheet by responding on a manufacturer's behalf to third-party claims alleging financial or economic injury.



As digital and physical processes continue to converge, manufacturers are modernising their production methods, enhancing their products, and changing the way they service and support their customers. Here are four trends that we have observed:



Embracing digital technologies through the incorporation of automated processes, sensors, computer controls, big data, and the Internet of Things



Positioning themselves as "total solution providers" by offering bundled products and services



Introduction of more electronics and technology into their products



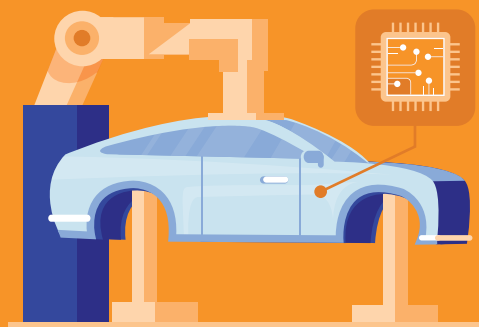
Increasingly required by contract to carry Errors & Omissions insurance



These changes present an array of new risks that manufacturers may not be adequately protected against through a traditional General or Product Liability policy, in the absence of bodily injury or tangible property damage.

Loss of Use:

Products that include technology (software, circuit boards, firmware, etc) are susceptible to digital malfunction resulting in loss of use claims from end users.



Failure to Perform:

Product liability does not cover the failure of the product to perform.



Manufacturers E&O Claims Scenarios



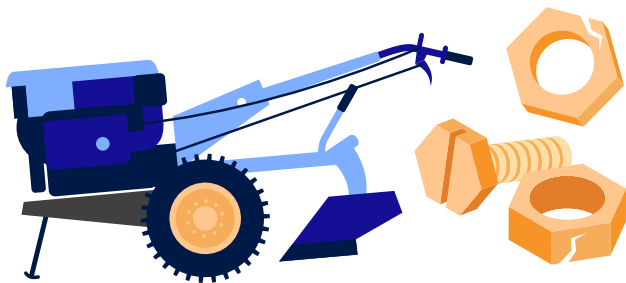
Integrated “Solution Provider”

A claim was made by a shipping company against a manufacturer of an integrated temperature monitoring “solution” used to monitor the temperature of cargo while in-transit. The shipper alleged that the in-transit temperature monitoring “solution” did not accurately record temperatures at established intervals, thereby leading to a wholesale grocery distributor rejecting a load of perishable goods.



Mislabeling of Consumer Products

A claim was made by retailers against a costume jewellery manufacturer that failed to comply with labelling requirements of consumer product safety laws. The retailers incurred costs to remove the non-compliant product from their shelves, and also lost revenue.



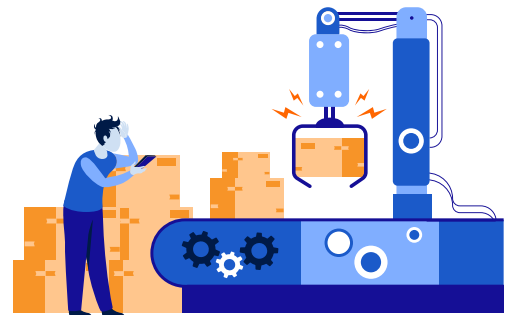
Contract Terminated due Supplier’s Error

A claim for compensation was made against a manufacturer of custom bolts by a farm equipment manufacturer for their failure to fulfil a client’s contract. A raw material supplied to the bolt manufacturer by a third party was found to be defective, rendering the bolts unsafe. The farm equipment manufacturer couldn’t use the bolts and terminated the supply contract with the bolt manufacturer.



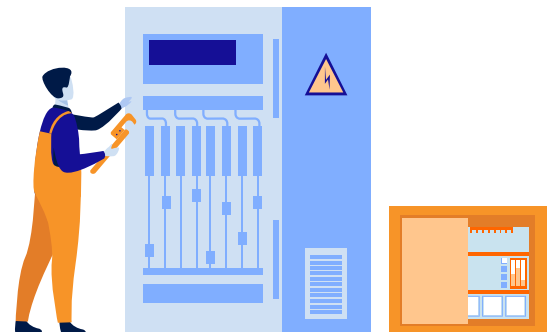
Embedded Sensors and “Internet of Things”

In an initial effort to capitalise on the “Internet of Things,” an advanced manufacturer embedded sensors into automated processes that provided real-time data on production output. Unfortunately, a flaw in the software controlling the sensors enabled an unauthorised user to access the data. Several end users of the sensors filed a lawsuit against the manufacturer for damages sustained from the unauthorised access.



Manufacturer of Conveyor Systems

Several large distributors filed claims against a manufacturer of conveyor systems, alleging that such systems were defective, resulting in additional costs, late deliveries and lost income.



Machinery Manufacturer

A claim was made against a machinery manufacturer for loss of production time. The machinery manufacturer was performing a routine maintenance visit for a product sold to their client. Whilst modifying the equipment, it resulted in slower than expected production speeds and subsequently lower output capacity.