

Manufacturing sector – insurance issues/ solutions

DELIVERED BY CHRIS ABRAM, ACII

JUNE 2024

Introduction / housekeeping

Welcome and thank you!

60 minutes webinar format – muted and video off. Polls, Chat, Q&A

Chris Abram, ACII

- An Insurance Company background – underwriting, sales and training
- Now a self-employed training consultant, working with insurance institutions of all sizes

Nick Thomas & Associates

- Up to the minute training solutions addressing the challenges of the modern insurance professional
- Technical insurance; sales, communication and soft skills; customer service; management and leadership; performance, resilience and wellbeing training



Objectives

At the end of the session delegates will:

- Understand the key issues facing the sector
- Identify specific insurance solutions for the sector
- Be aware of insurance market issues for the sector.

Manufacturing

Manufacturing is:

- turning raw materials into finished goods using tools, human labour, machinery, and chemical processing

Many different types – all have own issues

- casting
- moulding
- forming
- machining
- joining
- coating
- additive

Need to know what type and what is being made!



Manufacturing sector issues

Rising costs/ inflation

- raw materials
- wages
- power

Labour shortages

Supply chain disruption

New technology – rapid changes

Cyber security

Environmental, social, governance (ESG).



Property insurance for manufacturers

Rising costs – underinsurance

- reinstatement delays – shortages of replacement machinery
- inflation – costs go up more than general inflation
- currency volatility

Protect client

- Day One +50%
- obsolete property clauses (buildings/ machinery)
- regular revaluations (some insurers offer discounts for professional valuers).



Property insurance for manufacturers

Machinery - review values

- consider where made – additional transport costs
- additional taxes
- watch for increase of spare parts kept

Stock

- alternative suppliers may make raw materials more expensive to replace
- buffer stocks
- contract price clause for goods sold not delivered (may increase)
- customers' goods – contract price basis

Stock declaration basis – adjustable.



Property insurance for manufacturers

Consider need for

- molten metal
- stock debris removal
- patterns/moulds offsite with suppliers
- vehicle accumulations
- brands and labels
- involuntary betterment
- capital additions (limit)
- undamaged stock

Watch for inner limits

- stock in open
- non-ferrous metals
- Exhibitions.



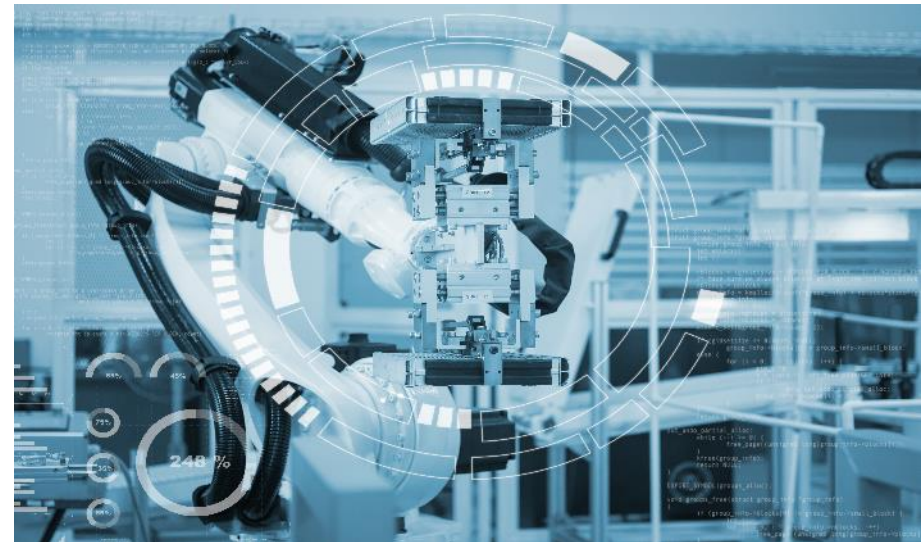
Property insurance for manufacturers

Composite panels

- why an issue
- ensure client understands need to declare
- compliance with conditions

Know which manufacturers most likely to have composite panels at premises

- 'clean' manufacturing e.g., electronics
- food – cold stores
- Warehouses.



Property insurance for manufacturers

Steam boiler/plant explosion

- damage caused excluded (but not subsequent damage)
- consider surrounding property risk
- understand what type of plant is excluded as steam pressure plant – more than a boiler

Engineering breakdown

- excluded from ‘standard’ property cover
- often key machines
- understand and discuss need
- client still needs to comply with inspections condition even if do not buy breakdown cover.



[This Photo](#) by Unknown Author is licensed under [CC BY-SA-NC](#)

BI insurance for manufacturers

Insurable Gross profit basis of sum insured

- labour shortages may mean 100% of wages need to be insured
- purchases figure deducted should net of any discounts on those purchases (e.g., for bulk buying)
- some purchases bought under non-cancellable contracts so not 100% variable (common in food/drink manufacturing)
- power should be insured – what about partial loss, power used in offices, standing charge etc.



BI insurance for manufacturers

Declaration Link basis 133%

- standard clause takes out average
- estimated insurable gross profit still needs to be adequate
- adjustable

Ensure indemnity period sufficient

- lead time for replacement machinery
- labour and material shortage in construction delays reinstatement
- alternative suppliers may not be available.



BI insurance for manufacturers

Engineering BI

- breakdown of key machine
- explosion or collapse of production steam boiler/equipment
- operational error causing damage to machinery
- deterioration of stock by freezer breakdown

Identify bottlenecks in production/key machines

Indemnity Period needs to be sufficient to include obtaining replacement machine, testing/commissioning

Discuss need with client – often identify key areas not considered.



BI insurance for manufacturers

Most major clients maintain R&D unit

- develop new products / new ways of making existing products
- common but not always called R&D e.g. recipe development team for food manufacturing

If the unit is destroyed, all the work has to be re-written/re-done

Not covered in standard policy– no reduction in turnover within IP

Need to add a separate first loss item.



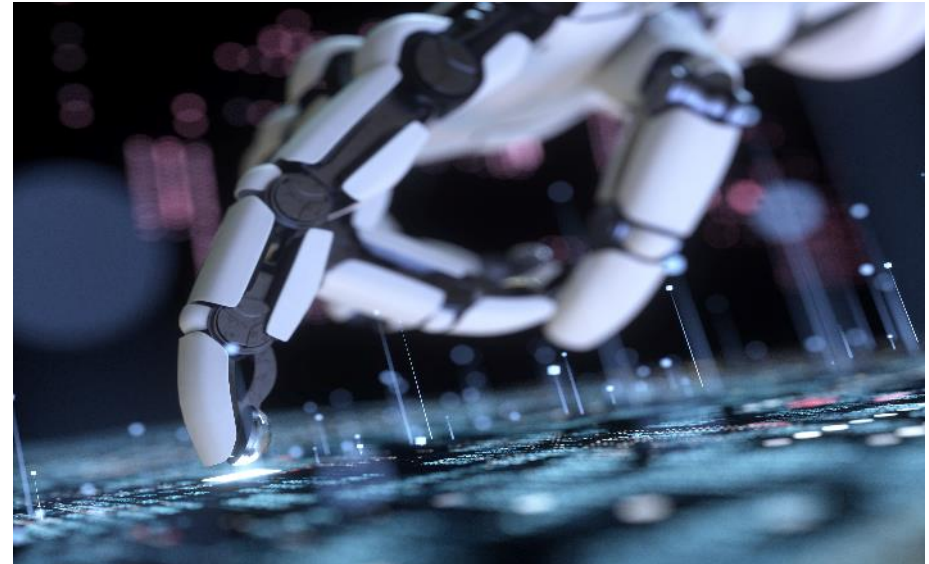
Cyber insurance for manufacturers

Key risk for manufacturers

- BI largest risk- virus in industrial control systems or system failure – closes factory, Norsk Hydro example
- new technology increasing risk – dependency
- old machinery – cyber security poor

Policy wordings differ widely

- check definition of computers includes industrial control systems
- BI key – need suitable IP – restoration of systems insufficient
- cover for supplier's cyber issues
- property damage cover gap.



EL insurance for manufacturers

Sector with high number of EL claims - HSE reports

- over the past 5 years, each year an average of 22 workers died in workplace accidents
- an average of more than 3,100 reports of major injuries
- 4,100 reports of injuries that kept workers away from work for seven days or more

Risk management issues are key

- Identify specific hazards and explain how being managed
- claims triangulations
- ensure reserves up-dated for inflation.



Public/products liability insurance for manufacturers

Understand the relevant exclusions

- contractual liability and financial loss
- product recall
- intellectual property
- check no 'hazardous substances' exclusions applicable e.g., lead, silica

Financial loss

- unlikely to arise except as a contractual liability
- financial loss cover with contractual liability exclusion gives very limited cover – may not meet client expectations
- claims made implications.



Motor insurance for manufacturers

Check all necessary vehicles included

- forklifts that cross a road to which public have access
- loaders that work in public areas

Cover for trailers

- attached and detached

Electric vehicles

- accumulations
- charging points.



Objectives Revisited

At the end of the session delegates will:

- Understand the key issues facing the sector
- Identify specific insurance solutions for the sector
- Be aware of insurance market issues for the sector.

Thank you! Questions?

Contact:

Email: nick@nickthomasassociates.co.uk

Website: www.nickthomasassociates.co.uk

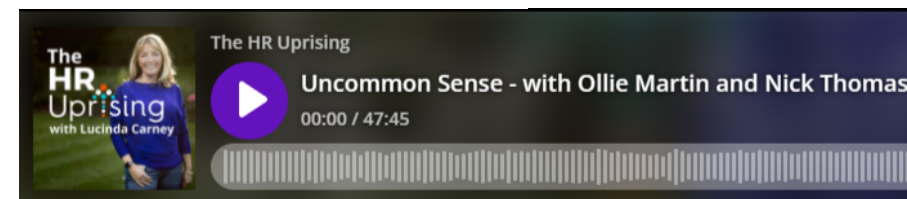
LinkedIn:

<https://www.linkedin.com/in/nick-thomas-64046113/>

LinkedIn Company:

<https://www.linkedin.com/company/nick-thomas-associates/>

'Up to the minute training solutions addressing the challenges of the modern insurance professional'

The logo for HRUprising, with 'HR' in purple and 'Uprising' in a lighter purple, with a colorful dot matrix graphic above the 'i'.

[Click here](#) to listen to Nick's latest podcast appearance on 'HR Uprising' talking about workplace performance, resilience and health