



HORIZON

2026 Property & Casualty Report

MANUFACTURING + DISTRIBUTION

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Manufacturers and distributors have always operated in complex environments, but those challenges are now far more connected. Decisions around procurement, staffing, logistics, and quality control no longer stay contained and can quickly show up as liability, claims severity, or underwriting scrutiny. While the risks themselves are familiar, the way they stack is not, which is why pressure testing assumptions early matters more than reacting after a loss. Many manufacturers are responding by building smarter, more adaptable operations, investing in digital tools, strengthening workforce capabilities, and rethinking supply networks to stay resilient and competitive.

ON THE HORIZON.

Key shifts influencing risk, highlighting where pressures are building and expectations are changing.

Supply chain volatility is reshaping risk assumptions

Tariff volatility has become a moving target for manufacturers and distributors. When the cost of importing components can shift with little warning, supply chain planning becomes more difficult and decisions are often made defensively. Organizations may raise prices, trim staffing, change suppliers, or adjust production locations simply to manage uncertainty, not because those moves align with long-term strategy.

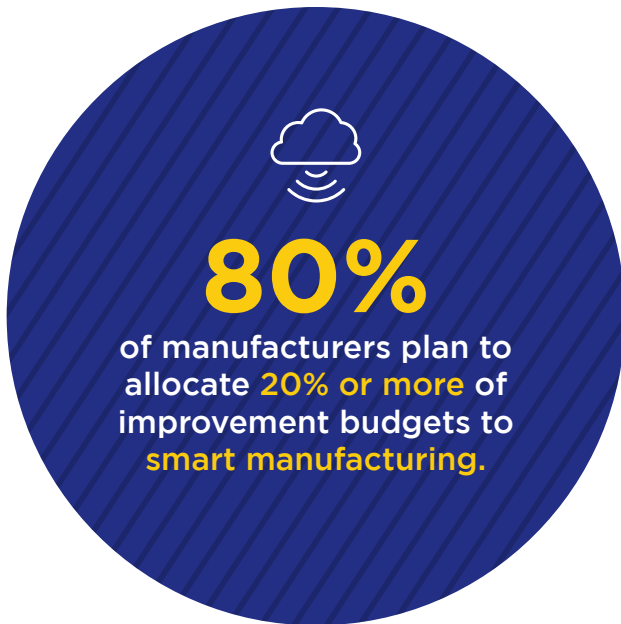
As sourcing strategies change quickly, downstream risk is not always reassessed. These shifts can

affect product quality, contractual obligations, operational continuity, and insurance assumptions. In many cases, the exposure does not surface until a product issue, delay, or dispute puts those assumptions to the test.

COMMON RISK IMPACTS INCLUDE:

- Changes in property values, business interruption exposures, and contingent business interruption tied to new locations or suppliers
- Increased operational and liability risk when cost-cutting pressures affect training, safety, or quality controls
- Greater contractual and legal exposure from rapid supplier changes, often with less time for due diligence and less favorable terms





Source: 2025 Deloitte survey of 600 manufacturing executives.

Smarter systems, less slack

Many manufacturing and distribution operations are becoming leaner not just by design, but through technology. Generative AI (GenAI) and advanced automation are increasingly embedded in planning, production, and supply chain workflows. What started as data analysis and forecasting is quickly moving toward action, with AI-driven systems influencing scheduling, inventory management, equipment monitoring, and even design decisions in real time. More manufacturers are also integrating GenAI into CAD and engineering workflows to accelerate prototyping, reduce material waste, and compress development timelines.

These advancements can drive efficiency and speed, but they also change how risk shows up. As operations become more automated and interconnected, there is often less manual

intervention and less built-in slack. When a system goes down, data is incomplete, or an automated decision misfires, the impact can travel faster and further than it would have in more traditional operating models. Business interruption, contractual penalties, and customer dissatisfaction can escalate quickly, sometimes from issues that appear minor at first.

Operational resilience is not just about staying up and running. It's about knowing where there's little room for error and how quickly a disruption can become a claim.

When technology becomes operational risk

Labor challenges continue to shape risk across manufacturing and distribution. While many organizations have adapted to ongoing shortages, the side effects are becoming more visible across operations. Inconsistent training across shifts or locations, newer employees stepping into higher-risk roles sooner, and supervisors managing larger teams with less hands-on oversight all contribute to greater exposure.

As automation and AI become more embedded in daily operations, workforce strain is no longer just about headcount. Digital fluency, data literacy, and adaptive leadership are increasingly critical as roles evolve and decision-making becomes more technology driven.



Safety leadership matters on the floor and in the field

M3's Emerging Safety Professionals Forum connects new safety leaders across the manufacturing and distribution industry to exchange insights, learn from experts, and strengthen daily safety practices.

Exclusively for M3 Clients

Reach out to your Client Executive to learn more.

Organizations that invest in upskilling and effective human-machine collaboration are better positioned to maintain consistency, safety, and performance as operational demands change.

Workforce strain does not create risk on its own, but it does amplify the impact when something goes wrong. Manufacturers that can test new approaches, scale what works, and adapt without disrupting operations or safety standards will be better equipped to manage both risk and growth in the years ahead.



In December of 2025, the Department of Labor announced \$98M in funding to support the development of pre-apprenticeships in high-demand industries including construction, advanced manufacturing, information technology, and healthcare.

SOURCE



COVERAGE TO WATCH

Cargo

As shipment values grow and equipment investments increase, inland marine coverage plays a critical role in protecting goods in transit and mobile property.

Mid-term changes in shipment size, theft exposure, or equipment values can quietly exceed existing limits if coverage is not revisited. Manufacturers and distributors should also avoid relying solely on motor carriers for protection, as many carriers provide only \$100,000 of cargo coverage and may apply limitations to theft losses. Partnering with M3 allows organizations to proactively review limits, challenge assumptions, and identify potential gaps before a loss puts coverage to the test.

OVERLOOKED RISKS.

Where those shifts are already affecting outcomes, creating friction across claims, recovery, and financial impact.

Contractual risk transfer is falling behind reality

Contracts often assume a level of risk transfer that does not exist in practice. Vendor agreements, transportation contracts, and supplier terms may sound great on paper, but misalignment between indemnification language and actual insurance coverage remains common.

Certificates of insurance are frequently relied upon as proof of protection, yet they do not guarantee that coverage will respond as expected.



What the contract assumes vs what the policy actually covers:

1

Indemnification language

2

Additional insured status

3

Limits and exclusions

When a loss occurs, gaps between contract intent and policy language can quickly become costly disputes.

This is not a new risk, but it is one that is increasingly exposed as claims become more complex and plaintiffs become more aggressive.

Working alongside M3 to review agreements is a critical component to proactively prevent coverage gaps.

Product quality issues triggering multi line losses

A single product issue rarely stays contained. What begins as a quality concern can quickly evolve into a recall, business interruption, third party liability, and reputational damage.

As distribution channels accelerate and customer expectations rise, the window to contain these events is shrinking. Organizations may not fully appreciate how one incident can activate multiple lines of coverage and attract heightened scrutiny from carriers and regulators alike.

Preparation in this area is not about assuming failure. It is about understanding how quickly issues can compound.

Responsibility blurs once freight is moving

Transportation exposure does not end with owned vehicles. Third party carriers, driver shortages, and tight delivery schedules create shared risk that is not always clearly allocated.

Even when a manufacturer or distributor does not own the truck, they may still be pulled into litigation following a serious accident. The rise in high severity auto claims has made transportation risk one of the most unpredictable areas of exposure heading into 2026.

Understanding where responsibility begins and ends, both operationally and contractually, is critical.

Insurance companies are paying closer attention to claims patterns and consistency, safety documentation and training practices, vendor and subcontractor controls, and evidence that operational risks are actively managed.



MERGERS AND ACQUISITIONS

can quietly accelerate risk in manufacturing and distribution when integration lacks alignment. Differences in safety programs, supplier and transportation relationships, quality controls, and contracts often surface only after a disruption or claim tests deal-stage assumptions. Coverage and operational controls that worked for one operation may not translate cleanly across facilities, products, or distribution networks.

[Learn more about M3's Merger & Risk Solutions](#)

Gaps between how risk is described and how it is actually managed are more likely to surface, often late in the renewal process.

M3 LENS: CLOSING THE GAP BETWEEN RISK AND REALITY.

M3's Manufacturing and Distribution team works alongside clients to align operational reality with risk strategy, looking beyond policies to understand how decisions made on the floor, in procurement, and in logistics affect claims and underwriting outcomes. We help identify where operations have evolved faster than coverage, pressure test contracts and risk transfer assumptions, and translate real-world practices into defensible positions. A proactive review before renewal or expansion can uncover misalignment early and help organizations stay ahead of surprises. **Connect with your M3 Client Executive or Risk Manager to assess how your operation is positioned for what's on the horizon.**