

CORONAVIRUS: MINIMIZING LIABILITY LOSSES WHEN RESTARTING MANUFACTURING AFTER LOCKDOWN

ALLIANZ RISK CONSULTING



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All of the recommendations are technical advisory in nature from a risk management perspective and may not apply to your specific operations. Please review recommendations carefully and determine how they can best apply to your specific needs prior to implementation. Any queries relating to insurance cover should be made with your local contact in underwriting, agent and/or broker.

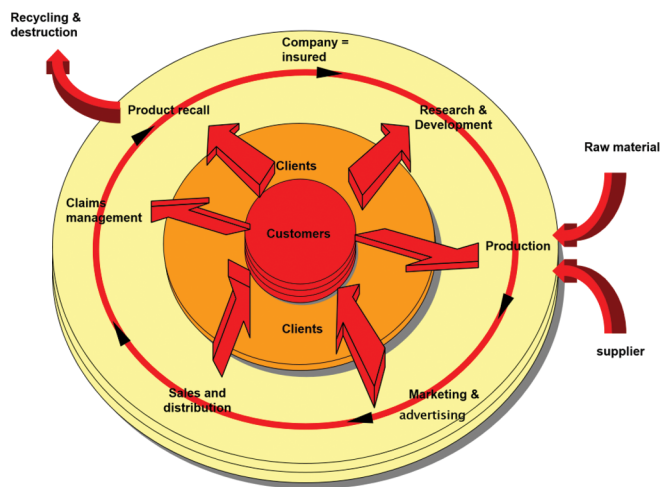
The coronavirus outbreak has imposed shutdowns in many countries, in all corners of the world. All businesses deemed “not essential” by governments have been forced to cease their activities in the fight against coronavirus.

One thing is certain. The return to normal production activity will occur gradually, by categories of manufactured goods and related services, region by region, and country by country.

With no modern precedent, industries must take into account new risks and face new sets of challenges. A primary concern for businesses is how to minimize further disruption by avoiding or mitigating liability losses when restarting after the coronavirus lockdown. For that, Allianz Risk Consulting (ARC) Liability provides an overview of loss prevention measures to consider.

PRODUCT LIABILITY

Product liability losses can be linked with all steps of the product life cycle – especially after months of closure.



*Graphic shows the main steps of a product's life cycle.
Source: Allianz Global Corporate & Specialty*

Particular attention should be paid to the preparation phase of resuming activity, with such things as:

- Cleaning and disinfecting the facilities – especially in highly demanding sectors like food, pharmaceutical and cosmetics.
- Checking the status of stored products (raw materials, goods in process, finished goods, etc.) according to conditions of storage during the lockdown, their lifetimes and clients' requirements.
- Resupplying raw materials and components. Of critical importance is re-evaluating the availability of raw materials/components, requalifying suppliers at each tier (bearing in mind supply constraints/shortages, possible logistics issues with transportation time that could be longer than usual, and potential cost increases) and supplier insurance coverages (type and limit of coverages). It is even more relevant if there is a need to source alternative suppliers.
- Requalifying the manufacturing process, especially for highly automated systems that have remained idle for long periods without any production activity.
- Retraining and requalifying employees, especially those controlling critical processes.

There should also be regular interfacing with other functions, including, but not limited to, sales and marketing, legal, finance, insurance, human resources (HR), research and development (R&D), and information technology (IT), to ensure and encourage a high awareness of the importance and implications of proper product liability risk management.

EMPLOYERS LIABILITY

Many employers have already undertaken measures to protect the health and safety of their employees. In this fast-evolving situation, it is crucial for employers to remain focused on their workers as they re-open their facilities.

As a starting point, employers should keep themselves informed, relying on established and credible sources, to include all new requirements and guidance from government/administrative agencies linked with coronavirus and in accordance to applicable law and regulation. Secondly, employers should carefully establish their processes in accordance to the legal requirements by also considering to consult with legal counsel, if necessary.

Employers should consider to develop their own mitigation plans providing the necessary equipment and implementing the appropriate protocols to resume operations. Necessary changes may include additional requirements for personnel protective equipment such as masks and gloves; temporary changes in work hours and shifts for social distancing; and restricted access to common areas, such as lunch and meeting rooms.

Furthermore, make sure that the attention paid to the risk of coronavirus does not lead to avoidance or reduction of site-specific safety risks (risk linked with machines, slip and fall, fall from heights, handling of heavy loads, etc.). In many cases, revision of job descriptions, employees' information and trainings have also to be put in place.

Finally, when partially reopening sites or reorganizing activities, check that the evacuation of personnel in the event of an emergency (for example during a fire) can always take place in complete safety (adaptation of emergency exits, verification of evacuation instructions, etc.).

NOTE: All these measures aimed at protecting the health and safety of employees should also be considered to apply to "subcontractors on site" – such as maintenance workers, cleaners, inspectors, consultants, etc., as well as customers and visitors.

ENVIRONMENTAL LIABILITY

When reopening or reactivating facilities which had ceased or limited their operations due to coronavirus-imposed measures, the likelihood of a substance release causing pollution can increase. Low or no maintenance equipment and infrastructure at the site for several weeks can create triggers, which if not corrected can lead to an environmental incident when operations restart. One of the main actions to carry out, to limit these risks, is a pre-activation inspection of the entire installation and its surroundings to verify that everything is in operational condition to reactivate production.

Furthermore, pay particular attention to the following points, among others:

- Check that closing valves and the inflatable pipe plug/balloon are functional and without any leakage that could deteriorate when operations resume.
- Ensure the retentions (mobile and masonry ones) are clean, empty and waterproof.
- Confirm that secondary containment systems are functional and without any residuals .
- Check that pods are accessible to discharges and not close to or above their maximum capacity.
- Verify that there is no obstruction in the rainwater collection system.
- Check that any wastewater treatment plant is still efficient and restarted correctly.
- Confirm, when restarting the production equipment, that all filtration/air treatment systems are inspected.
- Ensure the waste storage area is well maintained and without any release: check if the different types of waste (liquid/solid, hazardous/non-hazardous) are still stored in adequate conditions and evacuate them if necessary, according to regulations.
- Validate that above-ground and underground storage tanks are in good condition: check the filling level and the leak detection alarm if existing (for double wall tanks).

Finally, another important point might be the use of additional personal protective equipment (PPE) in a facility to protect employees against coronavirus exposure. Single-use masks, gloves and goggles should be considered as biohazardous waste after they have been used. If a facility does not already have a biohazardous waste management plan in place, it should consider developing it and have it in place at the time of reactivation. This plan should include proper waste bins for the disposal of the used PPEs as well as an agreement with a certified third-party company to remove these wastes from the site.

Over time, organizations will be able to move out of this crisis mode. As companies use temporary processes to conduct short-term risk management, they should gradually streamline this crisis mode into a more formalized risk management process.

They can also use the knowledge and lessons learned from their short-term actions to form a basis for building a more resilient safety, quality and environmental management system.

QUESTIONS OR COMMENTS?

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Design: [Graphic Design Centre](#)

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