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The Hidden Insurance Risk of Tariffs

WHY MANUFACTURERS MUST RE-EVALUATE INSURED VALUES ACROSS AN INCREASINGLY VOLATILE SUPPLY CHAIN

For manufacturers, tariffs are usually considered through the lens of procurement costs, pricing pressure and supply chain disruption. There is, however, another consequence that receives far less attention: their impact on insured values. In today's environment, the value of a component can change several times before it becomes part of a finished product. Raw materials may cross multiple borders and attract initial tariffs, reciprocal measures, counter-tariffs, customs duties and higher transportation costs. Some components may enter the United States, be transformed, move to another jurisdiction for further processing and then re-enter the U.S. market. At each stage, their value can rise materially.

The challenge is that insurance limits are often based on historical valuations, annual statements of values or inventory assumptions that no longer reflect current replacement costs. When tariffs alter those costs, manufacturers can unknowingly create a gap between the true value of their assets and the limits purchased under property, business interruption, stock throughput, marine cargo and contingent business interruption programs. In a trade environment that can shift with a political announcement, valuation management should be treated as a core risk discipline rather than an annual administrative exercise.

Where Values Change

Many organizations maintain detailed financial records but still struggle to identify how tariff exposure affects insured values throughout the manufacturing lifecycle.

Value is created and increased across raw materials arriving from foreign suppliers, components imported through multiple jurisdictions, goods moving between processing facilities, work-in-process inventory, finished goods awaiting shipment, critical spare parts and inventory stockpiled in anticipation of trade restrictions. Each stage may be influenced by a different tariff regime, transportation cost structure, currency movement or sourcing decision. Two identical components bought six months apart can therefore have materially different replacement costs, even when they sit on the same shelf. For insurance purposes, the key question is not simply what was originally paid, but what it would cost to replace the item today.

Building a Tariff-Aware Valuation Framework

1. Establish item-level traceability

Assign a unique SKU or inventory identifier to each component and connect it to country of origin, manufacturing location, supplier, tariff classification, Harmonized System code, transportation route and alternative sources. This allows the organization to identify affected goods quickly when tariff rules change.

2. Track landed cost, not only purchase price

Maintain a dynamic valuation that includes the invoice price, duties, tariffs, reciprocal charges, brokerage, transportation, port and storage expenses, and currency effects. Landed cost is often a more useful indicator of the amount at risk than the original purchase price.

3. Monitor tariff developments continuously

Finance, procurement, supply chain and risk teams should share responsibility for tracking tariff announcements, reciprocal measures, exemptions, duty-relief programs, trade agreement changes and product reclassifications. Annual reviews alone may not keep pace with volatility.

4. Reconcile insurance values more frequently

For highly exposed manufacturers, quarterly or monthly reviews may be appropriate. Policy limits, sublimits, stock values, transit limits and business interruption assumptions should be tested against current replacement costs and peak inventory periods. Map critical-part dependencies

5. Visibility should extend beyond first-tier suppliers

Manufacturers should identify common sub-suppliers, shared logistics hubs, single-source components, long-lead replacement parts and locations where inventory may accumulate during disruption.

The Emerging Aggregation Risk

Perhaps the most significant hidden exposure created by tariff volatility is aggregation risk. A manufacturer may respond to uncertainty by increasing inventories of critical foreign-sourced components. The decision may protect production continuity, but it can also concentrate unexpectedly high values in a small number of plants, warehouses, transit hubs or third-party logistics facilities. Multiple production lines may depend on the same imported part, alternate suppliers may rely on the same upstream producer, finished goods may accumulate because export markets have slowed, and goods in transit may exceed the values contemplated by cargo limits.

These concentrations often build gradually and without deliberate planning. Disrupted trade flows can lengthen dwell times, redirect shipments, delay exports and cause raw materials, work-in-process and finished goods to collect at different points in the network. A fire, flood, natural catastrophe, theft or major supply interruption may then reveal that the organization's actual exposure is substantially greater than its scheduled or insured values. Effective monitoring should therefore consider not only the value of each item, but also where values are accumulating, how long they remain there and whether several apparently separate dependencies could be affected by the same event.

Volatility Requires Visibility

Tariffs have evolved from a trade issue into a balance sheet, operational and insurance issue. Manufacturers that can monitor the current value and location of raw materials, work-in-process, finished goods and critical spare parts are better positioned to select appropriate insurance limits and recover following a loss. The objective is straightforward: know what the assets are worth today, where they are concentrated and how quickly those values could change.

In an era of volatile tariffs, fluctuating replacement costs and increasingly complex global supply chains, accurate insured values are not merely a compliance exercise. They are an essential component of financial resilience. The greatest risk may not be the tariff itself, but the unnoticed gap between what an organization owns, what it would cost to replace and what it has insured.

Platform's Industrials group works with manufacturers to identify where tariff-driven cost increases may be creating unintended insurance gaps, evaluate concentrations of value across facilities and transit networks, and ensure property, cargo and business interruption programs remain aligned with current exposures. By combining industry insight with practical risk and insurance expertise, we help industrial organizations strengthen financial resilience in an increasingly volatile trade environment.

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