Risk Strategy Solutions

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COMMERCIAL

Risk Advisor

The Impact of Tariffs and Trade Disruptions

Tariffs are taxes collected on imported goods based on factors such as their type, value, quantity and country of origin. U.S. tariffs can change in response to geopolitical developments and global trade negotiations. Although they may make foreign goods less competitive and encourage domestic production, tariffs can also increase the cost of raw materials, finished goods and equipment.

These effects can spread throughout supply chains. Even organizations that do not import goods directly may face higher supplier costs, inventory shortages, shipping delays and longer lead times. Sudden price increases may also strain cash flow and reduce profit margins.

The financial impact can be substantial and is increasing. According to KPMG's February 2026 Tariff Pulse Survey, 34% of U.S. businesses now pass on more than half their tariff costs to customers, up from 13% in May 2025. Fifty-five percent of executives plan to raise prices by up to 15% within the next six months.

Assessing Tariff-related Risks

Trade disruptions can be especially challenging when an organization relies heavily on one country, supplier or shipping route. Limited sourcing options can make it harder to respond when costs rise or a supplier cannot deliver. Businesses should consider:

- Which products and materials depend most heavily on imports?
- Do key suppliers rely on countries affected by tariffs or other trade restrictions?
- How quickly could alternative suppliers be identified and approved?
- How much additional cost could the organization absorb before profitability is affected?
- How might supplier diversification, contingency sourcing plans, vendor contract reviews and inventory planning help address these exposures?

Understanding Coverage Limitations

Standard business interruption coverage generally applies only when direct physical damage to covered property forces an organization to suspend operations. Contingent business interruption coverage typically requires physical damage to a key supplier, customer or other dependent property. As a result, tariff-related cost increases, margin compression and revenue losses usually do not trigger these policies.

Some specialty policies may respond to covered government actions, embargoes, customs delays, border closures or other trade disruptions, depending on the policy wording and cause of loss. Political risk or trade disruption insurance may protect organizations with international operations, overseas assets or foreign supplier dependencies. Trade credit insurance may provide protection when customers cannot pay due to insolvency or financial distress, including those related to tariffs or trade disruptions.

Coverage availability varies, and insurance alone cannot eliminate supply chain risk. Organizations should evaluate their import volume, supplier concentration, contractual protections and contingency plans with qualified advisers.

They should also monitor tariff developments and communicate regularly with suppliers. Early awareness can provide more time to adjust purchasing decisions, renegotiate contracts or secure alternate sources before a disruption becomes more costly.

Your Risk Transfer Resource

Tariffs and trade disruptions can create financial losses that standard insurance may not cover. Contact the insurance professionals at Fairview Insurance Agency for guidance on managing supply chain exposures and evaluating specialty coverage options for your organization.

How Commercial Insurance Applications Affect Your Coverage

When businesses purchase commercial insurance, they often focus on limits, deductibles and policy terms. Yet the insurance application is equally important. It is a legal document insurers use to evaluate risk, determine eligibility and establish coverage terms and pricing. Errors or omissions can create serious problems when a claim arises.

Why the Application Matters

An application provides details about operations, revenue, locations, claims history and safety practices. This information forms the underwriting foundation of the policy. Many commercial policies contain concealment, misrepresentation or fraud provisions that may allow an insurer to deny a claim or void coverage when material information is inaccurate or omitted.

A misrepresentation is material when accurate information would have influenced the insurer's decision to offer coverage or changed the premium, limits or terms. Depending on the circumstances, policy language and applicable state law, the insurer may deny a related claim, rescind the policy as though it never existed or seek to reform the policy to reflect the terms it would have issued. Intent to deceive is not always required; in some jurisdictions, even an honest mistake can have significant consequences.

Common Application Errors

Several mistakes can increase coverage risk:

- **Incomplete operations descriptions**—Vague or outdated descriptions may omit specialized services or activities the insurer was never asked to underwrite.
- **Undisclosed locations**—Every location where a business operates, stores property or performs work should be reported, including secondary or temporary sites.
- **Incorrectly named insureds**—The application should identify the legal entity that owns or operates the business and bears the risk. Using a trade name, parent company or other incorrect entity may create gaps.

These are only examples. Any information that could influence underwriting, pricing or policy terms may be material. A complete, accurate disclosure gives the insurer a clear picture of the risk and can place the business in a stronger position if a dispute occurs.

When a question is unclear, applicants should seek clarification rather than estimate or leave the response incomplete. Supporting records can also help demonstrate what information was disclosed and when.

Give Renewals the Same Attention

Renewal is not simply an automatic continuation of existing coverage. The insurer underwrites the risk again using the renewal application. Prefilled information from prior years may no longer reflect current operations. Businesses should review every renewal carefully and update changes involving services, revenue, ownership, locations or organizational structure.

To reduce application-related risks, businesses should:

- Treat each application as a legal document and have someone familiar with current operations review it before signing.
- Record operational changes throughout the year and discuss them with the insurance professional before renewal.
- Request a copy of the submitted application and compare it with current operations.
- Work with an insurance professional who asks detailed questions about the business, not merely its existing coverage.

The insurance application is the foundation of the coverage relationship. Accurate, current information can help businesses avoid disputes and ensure their policies respond as intended.

For guidance on completing applications, managing renewals and securing appropriate commercial coverage, contact us today.