

# Commercial Policyholders Need Equipment Breakdown Coverage

Equipment keeps all kinds of businesses going. When equipment breaks down, it can bring business and income to a halt.

Today's equipment contains highly sensitive technology that is often damaged by something as common and sudden as a power surge.

Traditionally, property coverage excludes equipment breakdown losses, leaving business owners exposed to unbudgeted losses. Breakdowns can be extremely costly and often negatively impact the bottom line.



## Equipment Breakdown Coverage Provides More Than the Cost of Repair.

### It can pay for:

- Direct property loss – the cost to repair or replace the damaged equipment
- Expediting expenses
- Loss of business income and extra expense
- Service interruption
- Spoilage due to a covered equipment breakdown

### Protection from damage caused by:

- Short circuits / electrical arcing / power surges
- Steam explosion
- Mechanical breakdown
- Centrifugal force

### Why is this coverage needed?

All commercial accounts have equipment breakdown exposures, including tenants.

### Examples of Covered Equipment include:

- Electrical distribution systems
- Heating and cooling systems
- Refrigeration systems
- Telecommunications, business and office equipment
- Electronic cash registers and scanners
- Elevators and escalators
- Security and alarm systems
- Medical and diagnostic equipment
- Processing and production equipment

## Covered Equipment Can Be Categorized Into The...



*See the back for Simple Seven loss examples*

### Ask Your Policyholder:

- Would your customers go elsewhere if your heating and cooling system failed?
- If you suffered a major breakdown how much income could you afford to lose during downtime?
- What would it cost to replace damaged systems and do you have emergency funds to cover this expense?
- Did you know that perishable goods includes items such as drugs, blood, food stock, beverages, plastic, wood and adhesive products?

This coverage has been in force since 1/1/2013. New policies and renewals effective on that date or after will receive policy forms which include the Equipment Breakdown coverage. The coverage does not need to be requested.

# It happened to them, it can happen to you!

## 1. Electric

- **Warehouse** – Increased load on the electrical system caused electrical meters to arc, damaging distribution equipment and knocking out power to the building. **Total paid loss - \$74,000.**
- **Office Building** – A loss occurred as the first tenant prepared to move into a new 12-story office complex when a 480-volt bus bar arced and damaged the electrical distribution system. **Total paid loss - \$251,741.**

## 2. Air Conditioning & Refrigeration

- **Motel** – With all 103 of its rooms filled, a hotel's guests started complaining about the heat when the motor driving a 75-ton air conditioning compressor broke down. The hotel issued discounts, kept the pool open and offered Popsicles to guests who stayed. **Total paid loss - \$26,865.**
- **Light Industrial Building** – A refrigeration pipe cracked due to excessive vibration. **Total paid loss - \$8,308.**

## 3. Boilers & Pressure Vessels

- **Mercantile Building** – A low water condition caused a boiler to overheat and break down. The fire alarm went off when excessive heat melted the boiler's electrical controls, wiring and pipe insulation. The boiler was damaged beyond repair and was replaced. **Total paid loss - \$140,175.**
- **Apartment** – A heating boiler was shut down after residents smelled natural gas. A technician found the low water cut-off valve failed and the boiler overheated. A rental unit provided heat during repairs. **Total paid loss - \$19,000.**

## 4. Computers & Communications

- **Office Building** – An electrical utility line disturbance damaged the printing computer system. **Total paid loss - \$31,353.**
- **Motel** – An electrical surge damaged the computer system. The loss included \$2,100 for data recovery, \$2,755 for installation of a new hard drive and \$3,973 for business income. **Total paid loss - \$8,828.**

## 5. Mechanical

- **Warehouse** – Operators heard a loud noise inside a diesel generator and shut down the unit. An inspection revealed the crankshaft had broken. **Total paid loss - \$138,777.**
- **Apartment** – An elevator in an apartment complex lost hydraulic fluid, causing the 15 hp pump motor to overwork and short out. The motor, piston and sleeve were replaced. **Total paid loss - \$8,340.**

## 6. Renewable/Alternative Energy

- **Office Building** – Two electrical inverters of a photovoltaic solar panel system were damaged. \$102,000 for replacement, plus \$10,000 for extra expense for purchasing electricity that would have been provided by the solar panel system. **Total paid loss - \$112,000.**

## 7. Production

- **Motel** – A transformer was damaged, resulting in a power imbalance. The condition damaged the photo copier. **Total paid loss - \$5,400.**