

Broken Equipment Can Spoil A Restaurant's Business

As grease built up on the blades, a restaurant's kitchen exhaust fan gradually became unbalanced. The fan began to wobble and shake, but nobody in the busy kitchen took the time to have it serviced until the bearings burned out and destroyed the fan. A repair contractor was involved with bigger jobs and couldn't begin to fix the problem for at least a few days. With the kitchen hot and the ventilation poor, the restaurant was shut down until repairs were finally completed 15 days later.

BROKEN FAN COST THOUSANDS

What began as a minor problem caused a costly equipment breakdown. With the need to replace the old in-line exhaust hood fan with a newer rooftop fan and improve the duct work, the paid loss totaled \$59,557 — \$21,033 in repair costs and \$38,524 in lost food and drink sales. The restaurant's property insurance did not cover the claim. But the owner's insurance agent had included an equipment breakdown insurance policy. It paid for the damages and lost income.

UNEXPECTED EXPENSES

With all the equipment it takes to provide food service, no restaurant, hotel, resort, or caterer should be without equipment breakdown coverage. In addition to stoves, ovens, grills, kettles, steamers and microwaves, there are hot water heaters and boilers, multiple refrigeration and freezer systems, air conditioning, heating systems and dishwashing equipment. Much of this equipment depends on electrical motors, pumps, compressors and mechanical parts that can break down without warning and lead to food spoilage, unexpected expenses and business interruption.

DIGITAL DINING

Then there is sensitive electrical equipment, including computer-based electronic cash registers, point-of-sale (POS) systems and inventory scanners. With profits such a small percentage of total revenue, restaurants are using this technology to be more efficient and help manage labor, inventory and energy costs. Many use their POS systems as a time clock for employees so they can match staffing with business volume. When you add personal computers, telephone systems, fax machines, sound and security systems, and the electrical distribution system itself, there is plenty of equipment at risk of power surges, electrical arcing and short circuits.

TENANTS NEED COVERAGE, TOO

It doesn't matter if a restaurant is located in a building that is leased or owned. Cooking equipment receives hard use and is critical to operating the business. Power problems may come from the outside, but a restaurant still needs insurance to pay for the damage to its own electrical equipment. Terms of some leases make a tenant responsible for equipment that is on or serving the premises, such as air conditioning or electrical systems. When equipment goes down, customers go away, and restaurants need specialty coverage for related losses that are excluded by the property insurance.

WHO PAYS THE BILL?

Equipment breakdown coverage from Hartford Steam Boiler can pay for:

- Physical damage
- Lost income
- Extra expense
- Perishable goods
- Losses due to breakdowns that cause the interruption of basic services such as

electricity, water and gas

PROTECTION FOR RESTAURANTS

HSB's equipment breakdown coverage can even help fill a temporary gap in income when a restaurant reopens after repairs, but business is slow. And it can cover restaurant equipment that is used at other locations like festivals, group functions and fairs. Contact your HSB representative, or go to www.hsb.com/information.asp?id=119 and click on HSB IQ Equipment Exposures for more about restaurant equipment risks and coverage.

THEY WERE COVERED, ARE YOUR CLIENTS?

These paid claims are typical of the losses covered by equipment breakdown insurance.

- › A restaurant seating 160 people was shut down for two days when a utility brownout caused electrical arcing and damaged the main breaker switch, air conditioning and refrigeration compressors. Total paid loss: \$31,682, including \$25,000 in business interruption.
- › A resort area restaurant halted most food and drink sales over the Fourth of July weekend when power surges damaged a compressor, air conditioning unit, computer and exhaust fan. Total paid loss: \$30,222, including \$6,197 in repairs, \$13,192 in business interruption, \$833 in extra expense and \$10,000 in spoiled food and drinks.
- › When the manager of a seafood restaurant arrived, he heard a buzzing noise and the building had no power. A failed transformer had shorted out underground electrical cables and switchgear. Total paid loss: \$35,955, including \$26,434 in repairs, \$6,566 in business interruption and \$2,955 in spoilage.