

Equipment Breakdown Protection

Many businesses use commercial property forms to insure their tangible assets. However, they also need Equipment Breakdown Protection Coverage due to some limitations found in those same forms. An Equipment Breakdown Coverage policy handles a substantial loss exposure to items such as unfired vessels - Air, steam or water tanks, refrigeration systems, rollers, steam pressers, ironing equipment, steam cookers, generators, chemical processing tanks, motors, switches and controls, compressors, pumps, gears, etc. because commercial property policies typically exclude losses involving machinery or equipment breakdowns. The breakdown form provides the following coverages:

1. Property Damage - This coverage pays for direct damage to covered property (certain types of office machinery and equipment) that has to be listed (described) in the policy.
2. Expediting Expenses - This coverage applies to extra costs insured experiences in order to make temporary repairs and to speed-up (expedites) the permanent repair or replacement of damaged property.
3. Business Income and Extra Expense – Extra Expense Only - These coverages may, optionally, be purchased together; or to buy extra expense coverage alone. For example, a covered business loses most of its records due to a breakdown of its main server. Most of the costs associated with restoring the information would be covered by the equipment breakdown policy.
4. Spoilage Damage - Spoilage damage to raw materials, property in process or finished products is covered when that property is either in storage or in the course of being manufactured, the insured owns or is legally liable under written contract for the spoiled property and a lack of or excess of power, light, heat, steam or refrigeration caused the spoilage.
5. Utility Interruption - This coverage is available ONLY when a customer also purchases coverage for Business Income and Extra Expense – Extra Expense Only or Spoilage Damage. This coverage responds to loss involving equipment breakdown created by loss of utility service (gas, electric, water or communication). Also, the loss or service must last beyond the time-limit that appears on the policy (a sort of time deductible).
6. Newly Acquired Premises - This feature automatically covers newly acquired premises purchased or leased by the insured and the period of protection depends upon the length of time selected for this coverage (i.e. such as 30 days, 60 days, etc.).
7. Ordinance or Law Coverage - The Ordinance or Law Exclusion eliminates coverage for loss created by the imposition of ordinance or laws affect the rebuilding of the damaged property. This coverage pays such costs, within guidelines in the coverage, provided any increase in the loss amount is necessary due to the enforcement of any laws or ordinances in force at the time of the breakdown which regulate the demolition, construction, repair or use of the building or structure.
8. Errors and Omissions - This coverage pays for loss or damage that would have been covered except for the insured's error or unintentional omission in describing covered property, a failure to include any premises owned or occupied by an insured when coverage began or, the insured's error or unintentional omission that results in the company canceling coverage at one of the insured's premises.
9. Brands and Labels - This provision pays part of a company's expense to remove and re-label its own, salvaged merchandise.
10. Contingent Business Income and Extra Expense – Extra Expense Only Coverage -. This Protection applies to loss resulting from a breakdown to equipment at premises upon which the insured is dependent upon in order to run its own operation, such as a key materials supplier.

Be sure to talk to a qualified insurance professional in case you need details on how to best protect your critical business equipment.

