



Commercial Equipment Breakdown Coverage Frequently Asked Questions



Following are some anticipated questions and suggested answers when engaging the topic of Equipment Breakdown.

Q: WHAT DOES EQUIPMENT BREAKDOWN COVER?

A: It covers the perils of mechanical, electrical and pressure systems breakdown, which can be excluded or limited perils in the underlying property form. All definitions and conditions in the underlying property policy are transferred to the Equipment Breakdown endorsement. In addition, spoilage coverage is included in the endorsement, and any business income or extra expense added to the policy extends to cover business interruption during the time required to repair or replace damaged covered property.

Q: WHAT IS THE BENEFIT OF ADDING EQUIPMENT BREAKDOWN COVERAGE TO MY COMMERCIAL POLICY?

A: The unique exposures of electrical, mechanical and pressure systems breakdown have led to coverage gaps. The equipment breakdown endorsement addresses the peril of equipment breakdown to the commercial property policy. By adding the equipment breakdown enhancement endorsement, loss caused by, resulting from, or consisting of an electrical or electronic breakdown, mechanical breakdown or pressure systems breakdown could be covered.

Q: WHAT ARE SOME EXAMPLES OF COVERED PROPERTY?

A: Anything in your business that can breakdown mechanically or electrically. For example, covered property can include:

- boilers
- electrical equipment
- air conditioning systems
- computers
- phone systems
- refrigeration units
- transformers

Q. HOW IS EQUIPMENT BREAKDOWN COVERAGE ADDED?

A: This coverage is added via an endorsement and dovetails into the underlying form.

Commercial Equipment Breakdown Coverage

Frequently Asked Questions

Q: WHAT ARE SOME EXAMPLES OF REAL LOSSES?

The heating boiler supporting the greenhouse overheated and cracked due to low water conditions. Replacement sections were found and the boiler was repaired within a few days.

Property Damage: \$8,700

The lighting system and electrical service panel servicing the greenhouse shorted after a power surge. Due to the extent of damage, the lights and service panel were replaced.

Property Damage: \$6,350

The motor supporting the ventilation system mechanically seized due to lack of lubrication. The motor was replaced and the system was restored to operation.

Property Damage: \$4,550

Q: What Is The Difference Between Wear And Tear And Equipment Breakdown?

A: Equipment breakdown is usually associated with a sudden event and is evidenced by damage such as arcing, seizing, fracturing, rupturing, and bursting with the ceasing of operation. Wear and tear usually occurs over time and is evidenced by damage such as corrosion, erosion, rusting, leaking, squeaking and wearing with declining performance, capacity and / or functionality. In certain instances, wear and tear may result in an Equipment Breakdown, which is where the benefit of the endorsement is realized.

Q. Which Equipment At My Facility Might Require A Jurisdictional Inspection?

A: Depending on the state you reside, most steam, hot water boilers and pressure vessels are required to be inspected on a regular frequency. Some states also require pressure vessels to be inspected. Mutual Boiler Re can provide the inspection service at no additional cost, and will identify the equipment at your facility that needs to be inspected.