

Frequently Asked Questions – Boiler and Machinery (Equipment Breakdown) Insurance

1.	What Is Equipment Breakdown Insurance?	Equipment Breakdown Insurance covers the costly physical and financial damage that can result from an accidental equipment breakdown. The equipment is insured on a replacement value basis .
2.	What types of breakdowns are covered?	Equipment breakdown insurance covers the <u>accidental breakdown</u> of covered machinery and equipment caused by: <ul style="list-style-type: none"> • Short circuits and/or electrical arcing • Power surges • Mechanical breakdown • Explosion • Boiler breakdown • Bursting, cracking or splitting It can also cover business income losses and the costs you incur to speed restoration of business operations when breakdown interrupts your operations (expediting expenses). In addition, this policy covers perishable goods that may spoil as a consequence of a breakdown.
3.	What kinds of equipment are covered?	<ul style="list-style-type: none"> • Electrical systems • Production and mechanical equipment • Air conditioning and refrigeration (including refrigerants) • Boilers and pressure vessels • Business equipment and systems • Electronics, including computers • Communication systems
4.	What kinds of equipment are not covered?	<ul style="list-style-type: none"> • Structures, including but not limited to the structural portions of buildings and towers, scaffolding, and any air supported enclosure • Foundation • Cabinets, compartments, etc. • Insulating material • Buried vessels or piping • Waste drainage or sewer piping • Piping, valves or fittings forming a part of

		<ul style="list-style-type: none"> • a sprinkler or fire suppression system • Water piping that is not part of a closed loop used to conduct heat or cooling from a boiler or refrigeration or air conditioning system • “Vehicle” or any equipment mounted on a “vehicle” • Satellite • Dragline, excavation or construction equipment • Equipment manufactured by you for sale • “Data”
5.	I don't have a boiler, why do I need this coverage?	<p>Equipment breakdown covers many types of equipment. It protects electrical systems, air conditioning and refrigeration, mechanical equipment, and modern office equipment in addition to heating systems such as boilers.</p> <p>The coverage applies to:</p> <ul style="list-style-type: none"> • Equipment that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or • Equipment when, during normal usage, operates under vacuum or pressure, other than the weight of its contents.
6.	Why would I need Equipment Breakdown Coverage?	<p>If your agency or college owns, operates or depends upon some type of equipment to generate revenue, you likely need equipment breakdown insurance. If you heat, cool or refrigerate your premises, have communication networks, or use equipment to sell or deliver a service, you should also consider purchasing this insurance.</p>
7.	What is the deductible for the Equipment Breakdown Policy? What are the policy limits?	<p>Deductibles and limits vary depending on type of equipment, location of equipment, and type of loss. For a full list of deductibles and limits, please see the summary of coverage here.</p>
8.	Doesn't business property insurance already cover this?	<p>Property insurance covers many standard perils, such as fire. But even "all risk" property coverage wasn't designed to pay for equipment accidents from the unique causes of equipment failure such as short circuits, centrifugal force or mechanical breakdown. Equipment breakdown coverage is specially designed to pay for damage caused by these risks. Because standard property policies</p>

		don't cover equipment breakdown, you need to ask to make sure it is included.
9.	How is this different from warranties or service contracts?	Warranties and service contracts are important, but they don't cover many of the common causes of equipment breakdowns. Maintenance contracts cover routine service such as cleaning or adjustment, but they don't pay for damage due to operator error—the cause of over 35% of equipment breakdowns. Equipment breakdown insurance does. Warranties and maintenance contracts also don't pay for business interruption or income loss resulting from breakdown. Nor do they pay for spoilage, damage to surrounding property or extra expenses to restore operations. Equipment breakdown insurance can cover all these risks.
10.	What does the Green Endorsement Coverage include?	Green coverage includes additional costs incurred to repair or replace “covered property” with more efficient and environmentally friendly equipment in the event of a covered loss. This coverage covers business interruption and extra expenses incurred as a result of the longer lead times for materials and labor. In addition, the recycling of damaged property or equipment is covered.
11.	Who do I contact if I have other questions	Contact Kim Haggard at (360) 407-8139 or John Christenson at (360) 407-9461 at the Department of Enterprise Services, Office of Risk Management.