

Equipment Breakdown and the Claims Process

Presented By

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Objectives

- Compare the difference between Equipment Breakdown coverage and Property coverage
- Describe how Equipment Breakdown coverage is provided
- Determine if a loss is Equipment Breakdown, Property or a joint loss.
- Discuss what is required when a loss occurs

Property Coverage

- All risk of direct physical loss or damage
- Exclusions
 - ✓ Explosions: steam boilers, pressure vessels or from centrifugal force
 - ✓ Electrical injury (artificially generated)
 - ✓ Mechanical breakdown

Property Policies Do not Cover Everything.....

Property Policy Standard Exclusions

Equipment Breakdown Covered Accidents

- | | | |
|--|--------|---|
| Mechanical Breakdown | —————→ | (1) Mechanical Breakdown, including rupture or bursting by centrifugal force |
| Electrical Arcing | —————→ | (2) Artificially generated electrical current, that disturbs electrical devices, appliances or wires |
| Explosions of Steam Boilers, Piping, Engines, Turbines | —————→ | (3) Explosions of Steam Boilers, Piping, Engines, Turbines caused by or resulting from any condition or event inside such equipment |
| Loss or damage to Steam Boilers | —————→ | (4) Loss or damage to Steam Boilers caused by or resulting from any condition or event inside such equipment |
| Loss or damage to Hot Water boilers | —————→ | (5) Loss or damage to Hot Water Boilers, or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment |

Declarations Page

- Named Insured
- Policy period
- Covered Locations
- Coverages provided
- Dollar limits
- Deductibles

Equipment Breakdown

Covered Cause of Loss is a “Breakdown” to “Covered Equipment”

- ✓ “Breakdown” means direct physical loss that causes damage to “Covered Equipment” and necessitates repair or replacement.
- ✓ “Covered Equipment” means any pressure vessel or equipment that generates, transmits or utilizes mechanical or electrical energy.

Coverages

- Property Damage:

Any property that:

- You own
- Is in your care, custody or control and for which you are legally liable

- Expediting Expenses:

- Temporary repairs
- Expediting permanent repairs or replacement

Coverages

- Extra Expense (EE) only
 - Extra Expense incurred to operate your business
 - During the “Period of Restoration”
- “Period of Restoration” means
 - Begins at the time of the “Breakdown” or 24 hours before notice is received, whichever is later
 - Ends five days after the damaged property is repaired with reasonable speed and similar quality

Exclusions

- Ordinance or Law (code upgrades)
- Earth Movement
- Water (flood, surface water, wave action, tsunami, mudslides, etc.)
- Explosions (except explosions within “Covered Equipment”)
- Fire (even if caused by a “Breakdown”)

Exclusions

- “Breakdown” caused by a hydro or electrical test
- Windstorm or hail
- Corrosion, wear & tear , etc. (resulting “Breakdown” is covered
- External causes, if covered by another policy (collectable or not)

When a loss occurs

- ✓ Give prompt notice of the loss
- ✓ Allow Insurance adjuster a reasonable time and opportunity to inspect the damaged property before repairs are made
- ✓ Protect the property from further damage
- ✓ Cooperate with the investigation

Equipment Breakdown coverage options

- Embedded in All Risk Policy
- Monoline Policy



Reinsurance

Two separate policies

- No overlap in coverage.
 - Each policy adjusts the loss covered under their policy
- Joint Loss – overlap in coverage
 - Use the Guiding Principles, November 1, 1963

Potential Coverage Overlaps

- ✓ Off-Premise Power surges
- ✓ Computer Equipment / Data Restoration
- ✓ Water Damage from “Covered Equipment”

Case Studies

- Boiler Explosion
- Electrical Injury
- Mechanical Breakdown

Steam Boiler Explosion

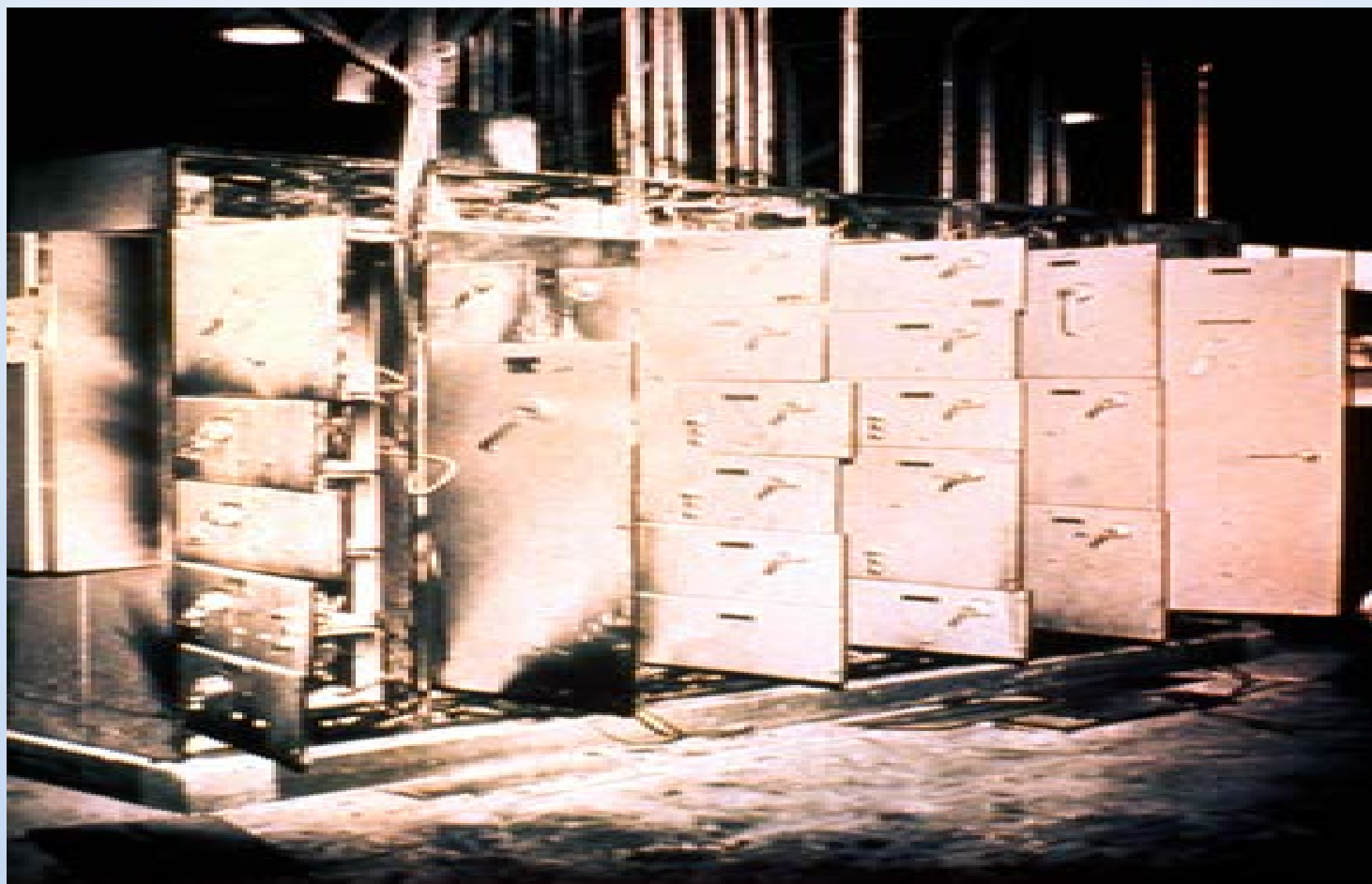


Boiler Explosion: *Catastrophic*



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Electrical Switchgear – Arcing/Fire



Artificial Current loss example



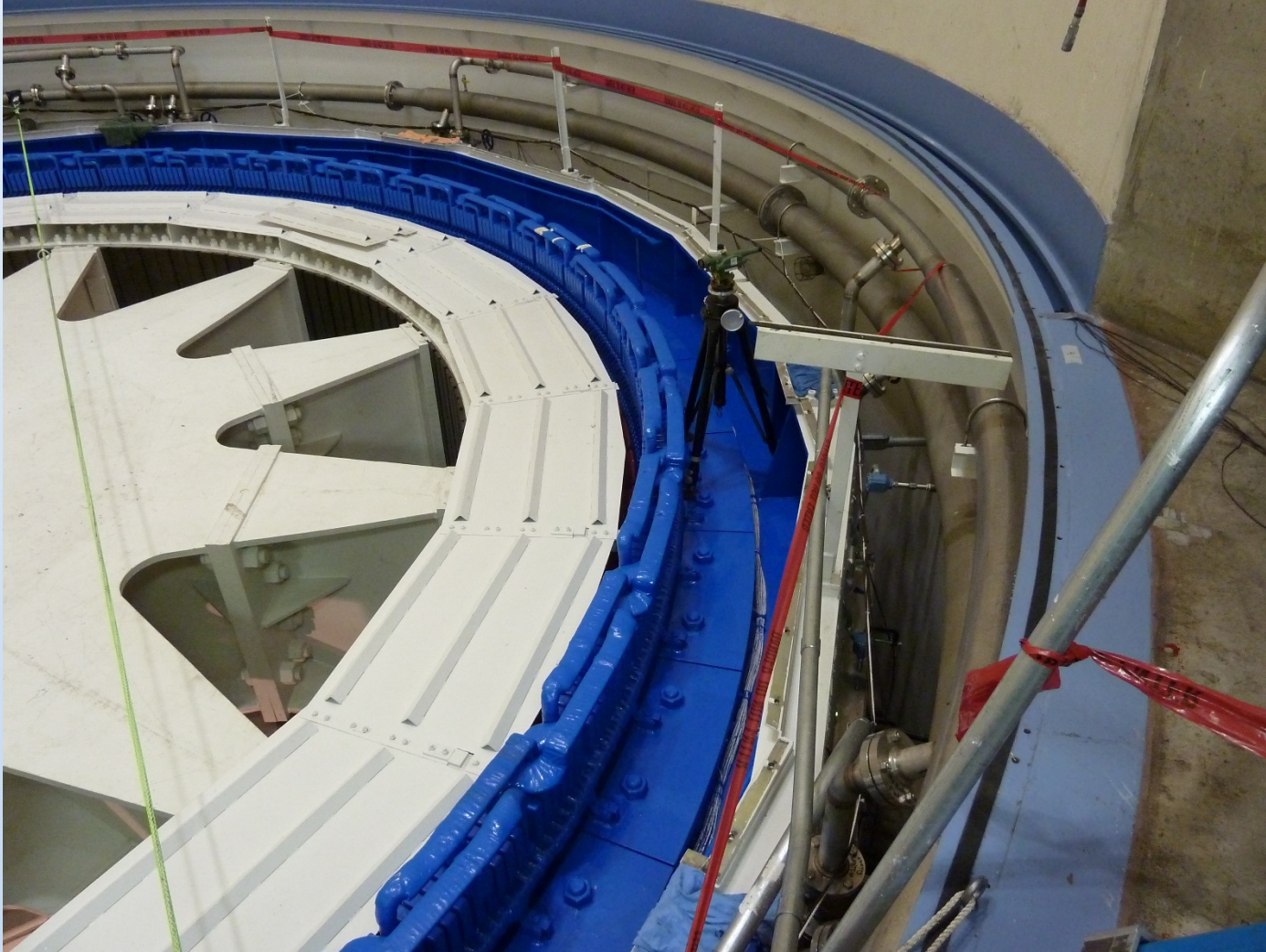
Transformers



Transformers



Hydro Turbine Generator



Hydro Turbine Generator



Wind Turbine Generator



Wind Turbine Generator



Submitting the Claim

- Summary of the costs for repairs / replacement of the damaged property
- Supporting documents
 - Contracts and Purchase Orders
 - Invoices from vendors
 - In-house hourly labor directly involved in the repairs, including direct labor burdens
 - In-house stores directly consumed in the repairs

Closing

Remember:

This presentation is an overview of your Equipment Breakdown coverage, it is up to each Insured to read their policy and the policy language governs all covered losses.

Thank you for your attention