

Boiler and Mechanical Breakdown - Not Just for Boilers Anymore

Originally, the only loss covered by the typical boiler insurance policy was coverage for boiler explosion, but over the years, changes have been made. The fact is very few boilers actually explode. When they do, the resulting damage can be devastating.

Over the years, there has been a drastic shift to other forms of industrial heating. No longer does every business have a boiler, but every business is susceptible in one form or another to mechanical breakdown. There are losses in these areas much more frequent than there are boiler explosions.

So the insurance companies who provide boiler insurance changed the scope of coverage to include other types of industrial equipment and equipment failure in their policies.

Whether it is an air conditioner, freezer, or computer system, just about every business can make use of the coverage now offered by these new policies.

You may ask why you should buy the Equipment Breakdown Coverage. The answer is simple. Equipment breakdown is not covered by the typical property insurance policy. In fact, electrical arcing, explosion of steam boilers, steam piping, steam engines, and loss or damage to hot-water boilers and water-heating equipment is specifically excluded.

The four major equipment exposures that are covered by the Equipment Breakdown policy are: (1) electrical and heating, (2) ventilation and air conditioning, (3) business equipment, and (4) mechanical equipment.

Hidden electrical equipment in buildings usually accounts for approximately 10 percent of the building value. That figure can go much higher in new buildings that are equipped with so-called "smart" building components, such as computer-controlled environmental systems, computerized elevators, and fire protection and security systems.

Air conditioning and refrigeration equipment presents its own special set of circumstances. A florist or butcher can experience expensive spoilage losses. New environmental standards now require conversion to CFC-free equipment, in many cases. Mechanical breakdown of equipment can require temporary rental of replacement equipment, not to mention the potential loss of clientele.

Communication systems present a particularly susceptible exposure to electrical hazards. These systems are extremely sensitive to electrical fluctuations. New phone systems compare greatly to actual computer systems and are easily damaged by power surges and electrical arcing.

Most businesses cannot operate without sophisticated telephone systems. These systems can cost many thousands of dollars and can, in some cases, be very difficult to replace. Communication systems today have taken on a new appearance to include PBX phone systems, fax machines, voice mail, and computer-assisted systems. With

every technological advancement comes increased integration of high value, fragile components, which are even more susceptible to loss.

What office is complete today without the inevitable computer? It is no longer just a computer, but a "computer system." What once provided your company with word processing and accounting support now integrates these with a myriad of software products designed exclusively for almost any industry, from spreadsheets to CAD design. We have become so reliant on the computer in society that we are spending millions of dollars for equipment and training.

It's easy to see the insurance policy that used to be just for boilers has grown into a fully faceted product to provide your business relief from many severe and damaging losses.

Is this coverage something you need?