



# Frequently Asked Questions

## Commercial 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 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: How is Equipment Breakdown coverage added?

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

### 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:

- Air conditioning systems
- Boilers
- Computers
- Electrical equipment
- Phone systems
- Refrigeration units
- Transformers

### 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. FM Boiler Re can provide the inspection service at no additional cost, and will identify the equipment at your facility that needs to be inspected.



**Q: What are some examples of real losses?**

**Medical Facility**

Due to a low-water condition in a cast-iron boiler, one section of the boiler had to be replaced. A backup boiler was used to maintain the building heat while the damaged boiler was repaired.

Property Damage:	\$18,400
Extra Expense:	\$2,780

**Office**

Rupture of an air tank supplying control air to the heating, ventilating and air conditioning system caused a systems shutdown for one day. Computer operations were also impacted.

Property Damage:	\$1,620
Business Interruption:	\$17,480

**Day Care**

Failure of a 20-amp circuit breaker during a power surge caused electrical breakdown of three desktop computers and other equipment.

Property Damage:	\$8,900
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