

Equipment Breakdown Insurance



What Equipment is Covered?

Equipment Breakdown Insurance covers the following equipment:

- boiler and pressure plant;**
- computer equipment;**
- electronic equipment;** or
- machinery¹.**

Loss or **damage** to **air conditioners** is not covered unless **your policy schedule** shows that they are covered.

Does your business rely on a single item or vital and expensive machinery to operate?

Machinery breakdown insurance covers the cost of repairing or replacing insured machinery following breakdown. But what if that vital piece of equipment is driven by a computer or has an inbuilt computer diagnostic function?

Then if you are not completely sure than you should consider whether you need to have **Equipment Breakdown** insurance to have the appropriate cover in place.

What causes power outages?

Origin Energy have indicated that power outages can happen at any time [<https://www.originenergy.com.au/blog/what-causes-power-outages/>]

When looking at electricity outage information, there are some common themes for what causes electricity faults, and one is – **Spikes** – a temporary increase in the electrical supply voltage can result in a power outage. These are

usually caused by lightning strikes, tripped circuit breakers or short circuits.

Some Examples of Equipment

Insured equipment can include:

- Boilers
- Generators
- Electrical equipment
- Transformers
- Air conditioning systems (if selected buy you)
- Medical equipment
- Refrigerators
- Ovens
- Computers
- Phone systems

What types of business should have equipment breakdown insurance?

Nearly every small business owner relies on some piece of technical, digital, or electrical equipment for their day-to-day operations, putting them at risk for sudden or accidental equipment breakdown.

Newer technology also tends to be more fragile than traditional business equipment, which has made it more susceptible to mechanical or electrical breakdowns.

Whatever equipment your business is using, it's important to ensure it's protected under your small business commercial insurance policy.

¹This is a summary of the equipment covered. For full terms, conditions and exclusions please read the relevant PDS.



What are the benefit of adding Equipment Breakdown cover to my Business Insurance policy?

Commercial property insurance policies for small business are primarily designed to protect both the building you operate out of and your business contents, stock, plant and equipment inside that building.

Your Commercial property insurance policy will typically help protect your plant and equipment from damage caused by weather related and external sources such as fire, some forms of water damage.

Unfortunately, your Commercial property policy may not cover you for another problem, being the sudden, accidental breakdown of your company's vital plant and equipment. Hence there may be need for **Equipment Breakdown** insurance cover.

What is the difference between Wear and Tear and Equipment Breakdown?

Equipment breakdown is generally associated with a sudden event and is usually evidenced by damage such as arcing, seizing, fracturing, rupturing, and bursting with the ceasing of operation.

However, 'wear and tear' occurs over time and is shown by damage such as corrosion, rusting, leaking, pitting 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 this type of cover is realized.

Sensitive Equipment

According to Telstra your equipment may be damaged or malfunction, causing loss of service or data, due to surges which significantly increase the voltage on the power or telecommunication line above the rated voltage. In extreme cases surges may cause a fire in the premises. [https://www.telstra.com.au/content/dam/tcom/personal/consumer-advice/pdf/lightning_brochure.pdf]

Your telecommunication equipment is particularly sensitive to damage from surges of an electrical nature due the complexity of the technology. The probability of damage is many times higher when telecommunication equipment is connected to both the telecommunication line and power line (fax machines, answering machines, computers, etc).

The sensitivity of the equipment to damage can vary widely from telephones, which are generally robust, to computer modems, which are generally fairly susceptible to damage.

Not covered by the warranty

Some small business owners don't think they need equipment breakdown insurance because their equipment is still under warranty. One of the main things that often isn't

covered in a warranty is operator error, which means if the damage to the equipment is found to be caused by the individual operating it, your warranty won't cover the repair or replacement costs. Some equipment breakdown policies may cover situations such as these.

Deterioration of refrigerated stock

Equipment Breakdown Insurance may also provide cover for the deterioration of refrigerated or frozen stock following the breakdown of the freezer or refrigerator unit they are kept in caused by:

1. A change in temperature of the freezer or refrigerator; or
2. Contamination of the refrigerated stock by leakage of refrigerant from the refrigerator or freezer.

Food safety in emergencies - During power cuts

Food stored in refrigerators

Food Standards Australia [<https://www.foodstandards.gov.au/consumer/safety/safetyduringemergency/Pages/default.aspx>] advises that modern refrigeration systems maintain food at safe temperatures. Your food will remain safe in your refrigerator for 2 hours. If it has been more than 4 hours, throw the food out. Don't open the fridge door during the power cut, unless necessary.

Food stored in freezers

Freezers that are in good condition and operate at minus 15 °C or below can keep foods at safe temperatures for between 1 and 2 days. If the freezer door is kept shut, a full freezer can keep food chilled for up to 48 hours, while a half full freezer can be kept food chilled for 24 hours.

It is important that the doors of freezers are not opened unless necessary. Opening and closing the doors will reduce the time the contents will remain at safe temperatures.

Disposal of Food

When you dispose of food and where larger quantities have to be disposed of your local government's environmental health officer should be contacted.

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For full details of the covers, limitations, exclusions and conditions please read the relevant PDS and consider whether it's appropriate for you before deciding whether to buy or to continue to hold a product. Call us on 13 22 44 for a copy.

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