



# Every business depends on **equipment**. Every day.

ONE MORE REASON FOR SMES TO CHOOSE AIG COMBINED

## Equipment Breakdown Cover

If most people think anything at all about "equipment breakdown" cover, it probably conjures up for them images of basement utility rooms, steam presses and people in blue overalls.

Yet equipment, machinery and technology are the heart of virtually every commercial enterprise. Look at practically any service, product or convenience and you will find that equipment is essential to that product or service function.

Equipment represents an increasingly important but misunderstood risk exposure and here are three reasons why:

1. So much of today's equipment depends on miraculous but somewhat fragile microprocessor technology. The computer circuitry integrated into many common types of equipment can be very easily damaged, by risks such as power surges, shock and heat
2. Equipment and technology has become indispensable to many business operations; if it breaks down they may well have a business interruption and loss of income
3. Equipment values themselves are higher as businesses invest and accumulate a variety of types of equipment, machinery and advanced technology.

## What does your business really rely on?

The true value of a business's equipment can be easy to overlook because it is often behind the scenes, part of the hidden infrastructure.

You don't need to be an engineer to understand the need for cover, but it helps to have a general idea of what can be covered.

Equipment Breakdown cover applies to a broad range of machinery, equipment and technology. The following are some common categories and their intrinsic and financial value to customers:

**Electrical Systems** Distributes electrical power within a building or tenant. Without electricity, buildings cannot function and business operations cease.

**Office Technologies** Refers to a wide range of office equipment including fax machines, copiers, and computers. For many businesses, together they can represent a substantial accumulation of value.

**Air Conditioning Systems** Comfort cooling for customers or residents. Without air conditioning, will your clientele take their business elsewhere?

AIG Combined  
policies include  
**Equipment  
Breakdown** cover at  
no additional  
premium cost

*(Excludes Property Owners policies)*

## AIG Combined **Equipment Breakdown** cover

**Refrigeration** Preserves food, but also other perishables such as medicines, film or blood. Spoilage can result if refrigeration or freezers fail.

**Hot Water Supply Heaters** For cooking, heating, cleaning and other purposes

**PBX Phone Systems** Digital systems enable many people within a facility to call or receive messages, but easily damaged by heat, moisture or shock.

**Voice Mail** Voice mail systems are costly and sensitive telecommunications computers.

**Production Machinery** A catch all phrase for a myriad of equipment used to make products, food or components. Much of it is now computer controlled.

**Diagnostic Equipment** Computerised testing equipment is used widely in health care where the values can be £50,000 or more for each machine. Diagnostics are also used in businesses and industries to monitor vital processes or key equipment.

**Building Automation** "Smart buildings" use automated systems that monitor and control various building functions to control energy costs and deliver essential services.

**Inventory Control Systems** The retail scanners you see are the front end of systems used to manage inventory, reorders to make optimum use of the company's finances.

**Security and Fire Detection** Building owners and service businesses spend a lot of money on their security and fire detection.

**Heating Boilers** Widely used for heating and processing. Large commercial boilers can easily be worth ten of thousands. Many years ago boilers used to explode regularly, destroying property and lives. Today such losses are rare due to a system of codes and required inspections that equipment insurers help to apply

This is just a summary of the types of equipment that businesses and institutions depend upon. But it should help you to understand the importance of equipment to their operations and financial health.

## Lots can go wrong

**E**quipment, machinery and technology are subject to unique causes of loss that other types of property are not. Standard property insurance covers different risks, but it is not designed to cover losses due to equipment failure. Equipment Breakdown coverage covers the dangers that uniquely affect equipment.

**Electrical Arcing** An arc is an electrical short circuit where electricity leaps a gap. If have you ever connected a jumper cable on motor car and seen sparks as you tried to make the connection, then you have seen electrical arcing. Severe arcing generates enormous heat that damages the equipment that carries the electricity, rendering it inoperable. In fact, electrical arcing can melt metal as well as insulation, and surrounding materials. Electrical arcing is not always something that happens suddenly. Arcing can occur in electrical systems at levels bad enough to damage cables but small enough to be undetected by circuit breakers and fuses. Think of it as electricity leaking. Because the leak is undetected, damage can spread to a large area of the system. Most equipment, machinery and technology that use electricity are exposed to electrical arcing damage

**Mechanical Breakdown** The moving parts of mechanical devices can breakdown for to a variety of causes; when excessive friction occurs, when metal "fatigues" and then breaks, when parts come apart. Very often it's caused by an oversight or mistake a person makes, such as not lubricating a machine when it is needed. Such human error is generally not covered by warranties or service contracts

**Surges and Electrical Transients** Electrical transients are fluctuations in the characteristics of electricity that can damage electronic components. Many machines now have computer components that act as the machine's brain or that regulate other key functions. When the sensitive computer circuitry is damaged these types of computer controlled equipment often fail. While the actual cost of the circuit board or failed component may be modest, the resulting business income loss can be severe. Most people are familiar with power surges but few are aware that most surges (up to two thirds) are not due to lightning but rather are caused within the building by other types of equipment.

# AIG Combined **Equipment Breakdown cover**

## What does AIG Combined cover?

**M**achinery Breakdown cover works a lot like other types property cover. The biggest difference is that coverage is triggered by different types of events unique to equipment. We use a form that bundles a variety of Breakdown covers into one convenient programme. Review the following coverage summary to see what's included in our offering.

**Property Damage** Pays for the cost to repair or replace damaged equipment or machinery and other property damaged during an equipment accident.

**Business Income** Covers the loss of business income due to a total or partial business interruption caused by a covered equipment breakdown. Many, perhaps most, insureds assume that if they have Business Income cover as part of their property cover that they are covered for any cause of interruption, including equipment failure. Income cover only tracks with the covered property perils, so if there's no machinery breakdown cover, there's no cover for interruptions due to breakdowns.

**Extra Expense** Pays for the additional costs, incurred after a loss, to maintain normal operations. Because businesses operations depend on equipment, they're usually anxious to get operations restored when breakdown occurs. As with property cover, Extra Expense encourages business owners to take action that reduces the likelihood of a business interruption. Typically this is used to cover the cost of renting equipment to sustain operations.

**Service Interruption** Extends Business Income and Extra Expense cover to apply to interruptions of services caused by equipment breakdown. This includes services such as electricity, water, gas, communications, refrigeration, air conditioning.

**Spoilage Cover** Covers loss due to spoilage caused by equipment breakdown, typically this applies to food but it also covers "spoilage" of manufactured goods due to the absence of processing capability.

**Ammonia Contamination** Covers the lost value of perishable contaminated by ammonia. Ammonia is a very effective refrigerant used in large systems

but an equipment breakdown can cause a release. Its powerful odor can quickly contaminate foodstuffs. Facilities that have a lot of refrigerated or frozen food worry about this exposure because their entire stock can be at risk.

**Computer Cover** Covers direct damage to computers and other electronic data processing equipment due to a covered breakdown. This includes cover for desktop computers as well as "control" computers which operate other types of machinery.

### Summary of cover

- **Equipment physical damage covered up to property policy limit**
- **Business Interruption and spoilage losses up to £50,000**
- **Computer equipment up to £50,000**
- **Extra Expense and Expediting Expense costs up to £50,000**

**Expediting Expenses** Pays for the costs to make temporary repairs or expedite permanent repairs in order to restore business operations.

**Hazardous Substances** Pays for the extra cost to repair or replace covered property contaminated by hazardous substances released in an equipment breakdown.

**Newly Acquired Locations** Pays for equipment damage and all other applicable equipment coverages at newly acquired locations.

**Extended Business Income** Pays for the reduction of Business Income beyond the date the equipment is repaired or replaced.

Machinery Breakdown cover isn't complex. It simply applies common protection principles to a special type of property.

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