

THOR

INSURANCE FINANCIAL

Electrical & Mechanical Damage to Equipment

While your property insurance protects your building and contents from the fire, theft, vandalism, etc., it does not include coverage for equipment for electrical, mechanical or pressure damage.

Equipment Breakdown insurance protects electrical, mechanical and pressure equipment from damage and probably most importantly, business interruption when your revenue stream is compromised because of downtime.

What type of equipment is protected?

Equipment protected by this type of coverage can include:

In Your Office – most often power surges are the culprit

- Air conditioning,
- Phone, alarm and security systems,
- Computers and electronic equipment,
- Climate and building control systems,



In your Shop – power surges, mechanical and pressure related issues

- Pressure objects including boilers, hot water tanks, pumps and compressors,
- Mechanical and electrical objects including fans, blowers, motors, transformers, and generators,
- Refrigeration equipment,

And most often overlooked by insurance brokers,

Production Machinery & Equipment

- Production machinery and apparatuses that process, form, cut, shape, grind or convey raw materials, materials in process, waste materials, or finished goods. This can include expensive CNC equipment.
- any equipment forming part of the driving or controlling mechanism for such production machinery or apparatuses.

If you are a manufacturer, a machine shop or a metal fabricator, this is essential coverage. Without this protection, equipment repairs and revenue impairment comes out of your pocket.

Loss of Income from an Equipment Breakdown

In addition to the physical damage caused by break-downs, valuable time and profits are lost while repairs are made or replacement equipment is on order. Specialized or customized equipment can take long order or fabrication times. Equipment Breakdown coverage can include Business Interruption protection.

Thor Insurance & Financial

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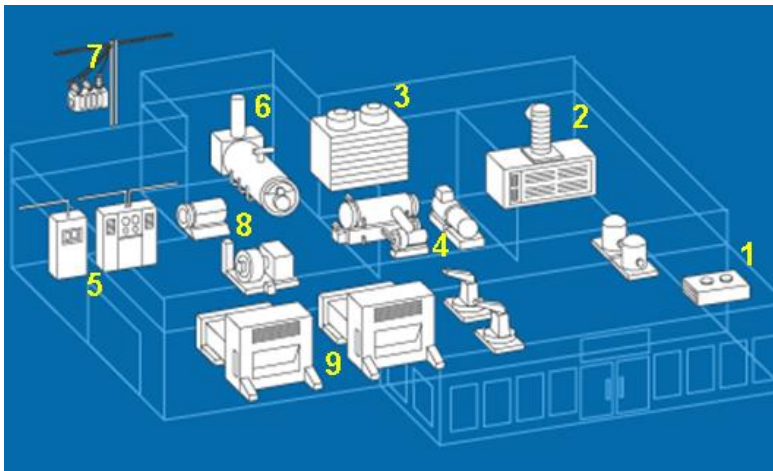
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What if my equipment is still covered by the manufacturer warranty?

When purchasing new equipment, warranties can be extremely helpful; however, it is important to read what is and is not covered in your equipment warranty very carefully.

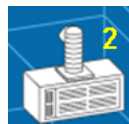
Do you need equipment breakdown insurance if your equipment is still under warranty? One of the main things that often is not covered in a warranty is operator error. If the damage to the equipment is found to be caused by operator error, your warranty may not cover the repair or replacement costs.

Where Equipment Breakdown peril lurks



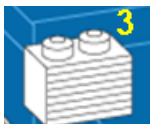
1. Rooftop A/C Cooling Machinery

Many manufacturers have rooftop air conditioning machinery exposed to the elements; intrusion of water or debris can lead to electrical or mechanical damage. Replacing rooftop units may require a crane at greater expense.



2. Air Conditioning Systems

Air conditioning systems may include compressors, condensers, cooling towers and a wide variety of air handling fans, blowers, dampers, and other equipment. Most air conditioning breakdowns are a result of either electrical breakdown of motors or mechanical breakdown of compressors.



3. Blowers and Fans

Blowers and fans are often part of the ventilation system in manufacturing facilities. Dust and residues from operations can accumulate in their motors and electrical components and result in mechanical or electrical breakdown. Rotating electrical equipment, such as ventilation fan motors can also be damaged by electrical disturbances such as power surges.



4. Electric Motors and Generators

DC and AC motors often have solid-state power supplies which are vulnerable to power surges. Rotating electrical equipment, such as process drive motors and pump motors can be damaged by mechanical breakdown and electrical power disturbances.



5. Electrical Distribution Systems

These systems include transformers, electrical switchgear, distribution panels and cable structures. Manufacturing operations often produce dust and dirt or corrosive agents that can accumulate on electrical connections and can cause damaging short circuits and arcing. Aging and under maintained systems can overload or short out.



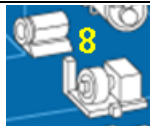
6. Boilers and Hot Water Heaters

Heat is usually supplied by heating boilers and hot water by large water heater systems. Some manufacturers use process steam supplied by high-pressure boilers. Many close-tolerance manufacturing processes require complex systems to maintain stringent control of temperatures. The expensive boilers and pressure vessels that generate and distribute heat and hot water are vulnerable to breakdown due to excessive internal scale or failure of low water cut off controls.



7. Power Transformer

Manufacturing facilities have transformers to step electrical power down to a level that can be used within the building. They are expensive to repair or replace and are subject to breakdown due to power surges, short circuits and aging insulation.



8. Pumps and Compressors

Pumps and compressors are common in manufacturing operations for fire suppression purposes, to support process operations, or meet the facilities HVAC needs. Large pumps may be worth well over \$10,000.



9. Production Machinery

Minor misalignments in precision tools can cause massive mechanical breakdown. Much modern production equipment is computer controlled or uses sophisticated and sensitive electronic technology. These machines' electronic circuits can be destroyed by power surges, sags and harmonic distortion. The cost of a new logic board may be minor but the cost of lost production is not. Breakdown of custom or foreign made equipment or components may require more time for fabrication or additional cost to rush delivery of replacements.

Equipment Breakdown claims examples

- Arcing caused a power outage to 80% of a shopping mall for 5 days. Losses exceeded \$230,000.
- The rupture of a pipe from the condensing unit of a meat store's walk-in freezer caused refrigerant to escape and temperature to rise. Total losses exceeded \$23,000, which included over \$22,000 in spoilage.
- An online retailer experienced a sudden shutdown of its website. The problem was isolated to a circuit board in a computer server. A visual examination revealed no evidence of detectable physical damage; however, when the circuit board was replaced, the computer server and website were restored. Losses amounted to \$19,200, including \$18,000 in business interruption
- A furniture maker's automated saw broke down when microprocessors were damaged by a short circuit caused by movement of the saw. Losses, including business interruption expenses, exceeded \$20,000.
- A transformer on a revenue-generating solar power system was damaged by an electrical breakdown. Total losses, including business interruption, amounted to \$140,000.
- An electrical event melted the motherboard and numerous switch cards of a circuit board maker's testing machine. Total losses amounted to \$185,800.