

HSB Machinery and Technology Insurance

# Equipment breakdown risk solutions

**Insurance cover for businesses operating  
machinery and equipment**



# Equipment insurance for the 21st century

**We live and work in a world where technology is constantly evolving; creating new forms of machinery and equipment, and applications for them. Whilst technology brings many benefits, ever more reliance on electronic components and software is increasing the risk to businesses of equipment failure and breakdown.**

HSB Machinery and Technology Insurance responds to the changing equipment risks and exposures by providing protection that not only covers the physical components, but also operator error and derangement of computer controls.

## **Why do businesses need equipment breakdown insurance?**

Every business and institution in the world today relies on equipment to operate effectively. Equipment failure poses a significant risk to a business's production and trading position, ultimately impacting on the bottom line.

Whilst cover for fire and accidental damage may be included within a commercial property policy, equipment breakdown or damage may not be. Equipment breakdown and damage insurance offers businesses protection against unexpected costs associated with the repair and replacement of vital equipment.





## Two key things to remember when looking to cover machinery and equipment:

- 1 Property policies typically provide cover for fire, flood and theft, all of which can have a significant impact on business interruption. However, equipment breakdown may not be covered, which means that a mechanical failure could result in loss of business and revenue or even reputational risk.
- 2 Warranties, whilst providing a level of cover, are often only for a limited period of time and do not cover operator error or loss of income.

## Types of risks

- Manufacturers and suppliers
- Food industry
- Commercial property owners:
  - offices
  - hotels
  - retail complexes
  - high-rise residential blocks
- Pharmaceutical industry
- Dairy farmers
- Specialist engineering industries

# Our response

**HSB Machinery and Technology Insurance is an equipment breakdown and damage, deterioration of stock, and business interruption policy all in one; providing comprehensive cover for businesses operating machinery and equipment.**

Our HSB Machinery and Technology Insurance policy is a commercial product aimed predominantly at manufacturing, food, pharmaceuticals and specialist engineering industries. Our policy provides cover for damage and breakdown to fixed manufacturing, processing and

services equipment, and deterioration of stock cover for goods being stored in temperature-controlled chambers. Optional cover is also available for financial loss resulting from these events and to specified customers and suppliers for their own financial loss following an event.

## Three main sections of cover

<b>Equipment breakdown and damage</b>	Provides damage and breakdown cover, including operator error and electronic derangement; failure during its normal operation; in transit; or while it is temporarily removed for the purposes of operation or repair.
<b>Deterioration of stock</b>	Provides cover for the deterioration of the stock resulting from a change in the temperature of a chamber, or caused by the action of refrigerant fumes that have escaped from the cold chamber. Extra cover is available for the cleaning and disinfecting of chambers; removing, disposing and replacement of deteriorated stock.
<b>Loss of income</b>	Provides cover for financial loss as a result of equipment breakdown and damage or deterioration of stock, including increased costs of working. Cover also available for contractual obligations to pay direct customers and suppliers if they suffer financial loss due to an insured event.







**In addition to combining equipment breakdown, deterioration of stock and business interruption insurance into one policy, we have added some new elements of cover in response to the changing needs of businesses, which include:**

- Cover for the failure of any electronic or computer equipment that controls the machinery or equipment, even if there is no physical damage.
- Public relations cover for professional public relations support when equipment breakdown poses a risk to a business's reputation.
- Loss of income cover if damage occurs at an anchor location and affects profits.
- Deterioration of stock cover for stock in refrigerated vehicles or temporary storage.
- Operator error included as standard.
- Cover for undamaged non-compatible parts included as standard.
- Cover for insured equipment being operated off-site.
- Reinstatement of machinery or equipment as new.





# '36 million transistors would fit in the full stop at the end of this sentence.'

## **Public relations cover to help reduce reputational risk**

When critical equipment, systems or technology fail, business reputations are at risk if it results in a business interruption.

Public relations cover is included in our HSB Machinery and Technology Insurance policy; providing peace of mind that should an equipment failure pose a risk to reputation, the costs for a professional services company to assist with creating and delivering communications to the media and customers will be covered.

## **With microelectronics, damage can be invisible**

Today's systems, equipment and technologies contain microelectronics – miniaturised circuitry with microscopic parts and connections. For example, transistors, the heart of integrated circuits, are so small that 6 million transistors would fit in the full stop at the end of this sentence.<sup>(1)</sup>

Electronic derangement cover is also included in our HSB Machinery and Technology Insurance policy. The cover is triggered when covered equipment suddenly stops functioning and replacing the equipment or a part containing electronic circuitry restores functionality.

## **Did you know**

In 2014, an estimated US \$69m of all breakdown claims were due to operator error.<sup>(2)</sup>

<sup>(1)</sup> Source: <http://www.intel.co.uk/content/dam/www/public/us/en/documents/corporate-information/history-moores-law-fun-facts-factsheet.pdf>

<sup>(2)</sup> Source: The International Association of Engineering Insurers: Engineering Insurance Premium and Loss Statistics 2012 -2014. <http://www.imia.com/wp-content/uploads/2015/08/Premuim-loss-stats-IMIA-2014.pdf>

## Why buy HSB Machinery and Technology Insurance?

- 1 Equipment breakdown and damage insurance is not usually covered in property or warranty insurance policies.
- 2 Flexibility to cover equipment breakdown, deterioration of stock and loss of income risks in one policy.
- 3 Damaged machinery and equipment can be replaced with more efficient alternatives which are safer and better for the environment.
- 4 Failure of computers or electronics controlling the machinery or equipment is covered without the need for physical signs of damage.
- 5 Cover is provided for machinery and equipment hired in for short-term use.
- 6 Replacement of damaged machinery and equipment parts includes non-compatible parts.
- 7 Policy developed by an insurer with international experience and expertise in equipment breakdown insurance.

## HSB Machinery and Technology Insurance in action

The following are examples of the types of claims that are covered under our HSB Machinery and Technology Insurance product.

Type of business	Incident	Example claim cost
High precision firm	Operator error caused spindle damage within a CNC machine.	£38,000
Sewage plant	Firm suffered a prolonged stoppage due to a dryer breakdown which caused the contents to solidify and a paddle to shear from an agitator.	£525,000 equipment damage £550,729 business interruption
Fish farm	A blast freezer failed causing loss of stock.	£3,026
Agricultural business	Feed auger failed due to operator error. Instead of six tons constantly spread equally over each 60-minute period (as per the manufacturers' instructions), the whole amount was added on the hour.	£63,744 equipment damage £359,921 business interruption
Fast food outlet	Power loss over the weekend resulted in loss of stock.	£17,631
Church	A heating boiler broke down due to failure of circuits within the controls.	£7,674



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This is an overview of the HSB Machinery and Technology Insurance product. For full details of the cover and further information, please contact your local HSB office.

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