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Equipment Breakdown Coverage (Including Electronic Circuitry Impairment)

Quick Reference Guide - Internal Use Only

What is Equipment Breakdown Coverage?

Equipment Breakdown coverage includes all of the coverages, services and benefits associated with traditional equipment breakdown insurance. Additional coverages designed to address today's modern equipment risks and technology related failures are also included.

Who needs this coverage?

All businesses, regardless of type or size, are dependent on equipment as the potential for equipment breakdowns exposes businesses and organizations to large potential losses.

What triggers coverage?

Coverage is triggered after an accident or electronic circuitry impairment.

- **Accident:** A fortuitous event that causes direct physical damage to covered equipment even when resultant loss is caused by a cyber event, such as hacking or deployment of malware
- **Electronic Circuitry Impairment:** When microelectronic component failure causes covered equipment to stop functioning and requires the microelectronics to be replaced whether or not such equipment shows signs of physical damage

New Jersey Manufacturers
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What coverages are included?

Property Damage:	<p>Direct physical damage to covered property that is the direct result of an “accident” or “electronic circuitry impairment” even if such loss is the result of a defined cyber event like hacking or deployment of malware</p> <ul style="list-style-type: none"> • Additional cost to replace damaged property with new equipment that is better for the environment, safer for people or more energy or water efficient than the equipment being replaced. Up to 150% of the cost of replacement with like kind and quality is covered. These additional costs are only provided when replacement is necessary or required.
Business Income and Extra Expense:	<p>Any insurance provided under the policy for Business Income or Extra Expense is extended to the coverage provided by the product endorsement. Covers loss of business income due to an interruption caused by an equipment breakdown and/or additional costs incurred after a loss to maintain normal operations.</p>
Data Restoration:	<p>Reasonable and necessary cost to research, replace and restore lost “electronic data” even when such data is housed with a cloud computing service provider.</p>
Expediting Expenses:	<p>Extra costs to make temporary repairs and expedite permanent repairs or replacement.</p>
Hazardous Substances:	<p>Additional costs to repair or replace covered property due to contamination by a hazardous substance, including additional clean-up and disposal expenses.</p>
Off Premises Equipment Breakdown:	<p>Coverage for property damage, business income, extra expense and data restoration due to breakdowns to mobile equipment or technology that at the time of the “accident” or “electronic circuitry impairment” is not at a covered location.</p>

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What coverages are included? (continued)

Public Relations:	Cost for professional public relations services to manage business reputation risk when a breakdown causes a business income loss, up to \$25,000. This coverage applies only if an actual loss of business income is sustained.
*Resultant Loss from a Cyber Event:	Covers equipment breakdown losses caused by cyber occurrences, such as hacking, a denial of service attack or the deployment of malware
Service Interruption:	Extends Business Income and Extra Expense to breakdowns of equipment owned by a contracted service supplier, including but not limited to cloud computing services, electrical power, air conditioning, heating, telecommunications, and internet access. Cloud computing services are now available to all territories.
*Spoilage and Consequential Damage:	Physical damage to perishable goods due to a covered cause of loss or contamination. Expenses incurred to reduce the amount of loss.
**Spoilage	Physical damage to perishable goods due to a covered cause of loss or contamination. Expenses incurred to reduce the amount of loss.
Electronic Circuitry Impairment:	Automatically applicable to all Equipment Breakdown coverages including Civil Authority, Contingent Business Income and Service Interruption. Covers failures when microelectronic physical damage is not detectable or firmware corruption or software failure results in breakdown
Environmental Safety and Efficiency:	Coverage provides payment after a loss for the additional cost to replace with equipment that is better for the environment, safer for people or more energy or water efficient than the equipment being replaced. This coverage was extending to apply to replacement of component parts.

* Coverage only available on form CP CV 303 05 22

**Coverage only available on form BP GM 026 07 20

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Claims Examples

Paid Loss after Deductible total may include multiple coverages

Equipment Breakdown

An MRI machine at an imaging clinic suddenly lost its ability to produce usable images. There was no evidence of physical damage to the circuit board, but when replaced with a new board the MRI machine was returned to service.

Paid Loss after Deductible: \$12,600

Business Income and Extra Expense

A hotel's boiler experienced a mechanical breakdown that had to be repaired. The business was closed for ten days and incurred direct damage and business income losses as extended under the Property form.

Paid Loss after Deductible: \$60,000

Data Restoration

A professional accounting firm lost data that was stored with their contracted cloud computing service provider. The provider disclosed that a hard drive on one of their servers had a mechanical breakdown. The cost to restore the lost data was covered.

Paid Loss after Deductible: \$16,000

Expediting Expenses

The motor of an office building's rooftop air conditioning unit shorted out, causing damage to the motor, bearings and impeller. The replacement air conditioning unit was overnighted for installation. The insured was reimbursed for the expediting expense and cost of the unit.

Paid Loss after Deductible: \$112,200

Hazardous Substances

A rubber hose on a pool chemical pump ruptured at a country club's indoor swimming pool. The pump's failure caused acid to leak onto the concrete floor and created a caustic environment, damaging equipment.

Paid Loss after Deductible: \$4,200

Off Premises Equipment Breakdown

A news crew filming off-site sustained damage to their covered portable camera. The camera experienced an electrical short and the circuit board needed to be replaced.

Paid Loss after Deductible: \$9,115

Public Relations

An office building had an electrical fault in its main electrical switchgear. The building was closed for three months while repairs were completed, leading to business interruption losses. The office management company ran a media campaign to announce the reopening of the building. Once the office building was operational the business owner hired a public relations group to advertise their reopening via a Twitter campaign and local press release. The paid loss covered the repair of the damaged equipment, the loss of income and the public relations campaign.

Paid Loss after Deductible: \$89,450

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Claims Examples (continued)

Service Interruption

During the lunch rush a restaurant was suddenly left without any electrical service. The insured's service provider confirmed the outage was due to an electrical arcing event at their substation that supplied power to the restaurant. The restaurant was closed for two days while the service provider made repairs. Coverage paid for SI loss to the Insured.

Paid Loss after Deductible: \$21,000

Spoilage

A large walk-in freezer at a food distribution facility failed causing the frozen food to spoil. A damaged temperature control board was replaced. The perishable goods and damaged equipment were covered.

Paid Loss after Deductible: \$19,100

Environmental, Safety, and Efficiency

A florist's walk-in refrigeration unit's compressor had sustained internal electrical damage. Since the compressor used an outdated refrigerant, the insured opted to replace it with a more environmentally friendly model. The paid loss was issued for 150% of the replacement cost.

Paid Loss after Deductible: \$4,500

*Resultant Loss form a Cyber Event

A hacker gained access into a manufacturing company's administrative network and then was able to cross over into the production equipment computer control system. The hacker blocked the control system from shutting down the production line. The system overheated and failed. Several motors had to be replaced and the business experienced business income losses due to the three day shut down.

Paid Loss after Deductible: \$11,430

Cloud Computing Services

A medical center was unable to conduct business for one week due to a service interruption with their accounting service provider used by the scheduling and billing department. The cloud-based software and backup files were not accessible for three days while the service provider made repairs to their servers that were damaged when the facility suffered a breakdown to their A/C system and the servers overheated.

Paid Loss after Deductible: \$11,425

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