

Boiler & Machinery Coverage Description

Boiler & Machinery

Boiler & Machinery insurance covers direct damage to covered property when caused by a covered cause of loss. Covered property is any property that is owned by the named insured or is in the named insured's care, custody, or control and for which the named insured is legally liable. A covered cause of loss is a sudden and accidental breakdown of the insured's boiler and machinery equipment or any part of the equipment described in the policy. Boiler and machinery insurance is necessary because commercial property policies exclude explosion of steam boilers and breakdown of machinery.

The standard boiler and machinery policy contains three extensions of coverage. The three extensions are 1) Expediting Expense coverage, which pays the reasonable extra cost incurred to expedite progress after a loss; 2) Automatic Coverage which covers accidents to objects at newly acquired locations for up to ninety days after the named insured acquires the property; and 3) Defense Cost and Supplemental Payments which would apply when the insurer is defending the insured against claims or suits alleging liability for damage to property of others. Defense Cost and Supplementary Payments are payable in addition to the policy limit. Expediting Expenses are included in, and not in addition to, policy limits.

In addition to the three extensions the policy has four interior limits of \$5,000 each, for 1) the cost of cleanup, repair or replacement, or disposal of hazardous substances; 2) damage resulting from contamination of covered property by ammonia; and 3) damage by water to covered refrigerating or air conditioning vessels and piping. These limits are part of and not in addition to the limit specified in the policy. A benefit of boiler and machinery insurance is the inspection service that insurers provide to the insured. Endorsements can be added to the standard boiler and machinery policy to provide coverage for business income, extra expense, and consequential losses.

Equipment Covered

Comprehensive Coverage

This coverage is written only under the standard policy form. Coverage is provided for all insurable boiler and machinery equipment, including or excluding production machines. Coverage can also be written to cover particular types of boiler and machinery equipment.

Basic Coverage

This coverage can be written under the small business form to cover boilers and vessels equipment, including or excluding air conditioners/compressor units.

Broad Coverage Form

This coverage is also written under the small business policy. Many insured's refer to this form as the comprehensive form for small business since it covers a broader range of equipment. Coverage is provided for any boiler, any fired or unfired pressure vessel, any refrigeration or air conditioning equipment, and any mechanical or electrical equipment. Only certain types of business can qualify for the small business policy and property values can be no more than \$5 million.

Limit of Insurance

Under the small business form the limit of insurance is based on the estimated value of the insured's property.

Additional Coverages/Endorsements**Business Income**

This endorsement can be written to provide coverage on either a "valued" or an "actual loss sustained" basis. When the actual loss sustained option is used, the coverage pays only for the insured's actual loss of income. If coverage is written using the valued option, the insured is able to collect a predetermined amount of coverage for each day the business is interrupted because of an accident to an insured object. The coverage is subject to a per accident limit and a deductible that can be expressed as either a specified time period or a dollar amount. When the valued form is used the daily amount of insurance is paid regardless to the actual amount of loss.

Extra Expense

This endorsement pays for the extra expense of maintaining operations after an accident to an insured item until normal operations can be restored. This endorsement excludes coverage for loss of income. To have coverage for loss of income and extra expense, the endorsement called combined business interruption and extra expense must be added to the policy.

Consequential Damage

This endorsement covers loss due to spoilage of specified property from lack of power, light, heat, steam or refrigeration, which results from an accident to an insured item.

Deductibles

The standard deductible is \$250. Coverage can be written with more than one deductible. The insured can choose one deductible for a group of covered items and a different deductible for all other items. If a loss occurs involving more than one covered item, the higher deductible would apply.