

Equipment breakdown coverage - what's it for?

By Harlan Stientjes

Members of WCIA are only required to carry liability coverage to be a member of the pool even though WCIA offers many other coverages to our membership. One of those coverage options is equipment breakdown coverage. While the name of this coverage is straight forward, you may be curious about what types of losses this coverage provides as compared to WCIA's property coverage.

WCIA's property coverage covers fortuitous events to covered property subject to a set of specific exclusions. Specifically, the policy excludes electrical surge, mechanical breakdown, and explosion of steam boilers:

10. PERILS EXCLUDED

This Policy does not insure:

C. against electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless direct physical loss or damage not otherwise excluded ensues and then this Policy shall cover for such ensuing direct physical loss or damage.

D. against mechanical breakdown unless direct physical loss or damage not otherwise excluded ensues and then this Policy shall cover for such ensuing direct physical loss or damage.

E. against explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the Insured unless direct physical loss or damage not otherwise excluded ensues and then this Policy shall cover for such direct physical ensuing loss or damage; it is agreed that direct loss resulting from the explosion of accumulated gases or unconsumed fuel within the firebox (or combustion chamber) of any fired vessel or within the flues or passages which conduct the gases or combustion therefrom shall be covered hereunder.

These exclusions apply to the specific failure of the machine, but not the ensuing loss. Equipment breakdown coverage strives to fill the gap in coverage by covering the failed equipment. Equipment breakdown coverage covers an 'accident,' which is defined as:

a. "Accident" means a fortuitous event that causes direct physical damage to "covered equipment." The event must be one of the following:

(1) Mechanical breakdown, including rupture or bursting caused by centrifugal force;



- (2) Artificially generated electrical current, including electrical arcing, that damages electrical devices, appliances or wires;
- (3) Explosion, other than combustion explosion, of steam boilers, steam piping, steam engines or steam turbines;
- (4) An event inside steam boilers, steam pipes, steam engines or steam turbines that damages such equipment;
- (5) An event inside hot water boilers or other water heating equipment that damages such equipment; or
- (6) Bursting, cracking or splitting.

As you can see from the policy language, the items excluded by property coverage are often then covered by equipment breakdown coverage. Now, let's look at a couple of examples.

In the first example below, the variable frequency drive had an electrical short and caught fire. The subsequent fire burned up both the drive and much of the building it was mounted on. In this example, the failure of the drive is not covered by the property coverage, though the ensuing fire damage is. The drive is covered by the equipment breakdown coverage, though the ensuing fire damage is not. These two coverages work in tandem to allow the member to financially pay for all of the damage caused.



In the second example below, a generator was being run through its test cycle. Pine needles and other dry debris near the exhaust ignited and caught the generator housing on fire. As there was no failure of the machine itself, coverage was denied under equipment breakdown coverage. However, WCIA's property coverage will pay for damage caused by fire and picked up this loss. If members were to only carry one of these coverages, portions of future losses may not be covered.



In summary, WCIA has tried to make comprehensive options available to the membership to protect their expensive assets. Each of the claims above would have cost the members well into six figures without available pool coverage. If you have had a loss to a piece of machinery (generator / well pump / etc.), please don't hesitate to send the information to claims@wciapool.org or call Claims Manager Harlan Stientjes to discuss the potential claim(s).