

10 REASONS FOR MACHINERY INSURANCE AND MACHINERY BUSINESS INTERRUPTION INSURANCE

“Aren’t these policies designed only for large manufacturers with processing equipment?”

“This is covered under my Property Policy isn’t it?”

“Don’t I get this cover as part of my warranty?”

These are common misconceptions when considering machinery insurance and machinery business interruption insurance. Here are 10 reasons your clients may need machinery insurance and machinery business interruption insurance.

CLAIMS EXAMPLE

A property owner with a large portfolio of plant and machinery insured two steam boilers which were originally designed to be fuelled by standard gas oil. However, following modification to the boilers to burn a different type of oil they both started tripping. This was caused by excessively hot flue gas temperatures and the boilers became badly damaged. The client’s Property Engineering Policy was able to meet not only the cost of repairs but also the hire of replacement boilers whilst the property underwent repair.

These claims examples are for illustrative purposes only.

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01 A PROPERTY POLICY WILL TYPICALLY PROVIDE COVER FOR PERILS SUCH AS FIRE, FLOOD AND THEFT

Standalone machinery products will often cover events such as mechanical failure, electrical short circuiting or motor burnout, as well as damage resulting from an accidental event, explosion or collapse.



06 A MODERN OFFICE BUILDING IS DEPENDENT ON MANAGEMENT SYSTEMS TO CONTROL THE WORKING ENVIRONMENT

Cover can include interruption due to failure of building management systems.



02 COVER IS SUITED TO BUSINESSES OF ALL SIZES FROM A WIDE VARIETY OF SECTORS

Machinery policies are designed to suit, or can be tailored to suit, a large range of risks, from small manufacturing risks to large Property Owner portfolios.



07 MACHINERY INSURANCE CAN HELP BUSINESSES MEET LEASING COMPANIES’ REQUIREMENTS

Lease agreements often state that it is the lessor’s responsibility to repair or replace machinery if it is damaged or destroyed while in their care.



03 IF AN EVENT IS OUT OF THE BUSINESS’S CONTROL, THERE’S OFTEN LITTLE THEY CAN DO TO PREVENT IT

Machinery business interruption policies can be extended to cover failure of supplies. For example, flooding of the local substation or third-party damage to water pipes.



08 FINANCIAL STABILITY CAN BE SAFEGUARDED

Any downtime for any business can result in a loss of income and/or additional expenditure, and many firms may start to have serious liquidity problems within a few weeks of essential machinery being unavailable.



04 PEOPLE MAKE MISTAKES

Unlike a property policy, a machinery policy will cover operator errors. For example, when a machine has been set up incorrectly and damage is then caused when in use.



09 PAYMENTS CAN BE PROVIDED TO AVOID LOSS OF BUSINESS DURING THE INDEMNITY PERIOD

Depending on the operable covers available, additional costs to avoid or minimise financial loss, such as overtime or wages for temporary workers, can be paid.



05 WHERE LIABILITY HAS BEEN ADMITTED, A BUSINESS MAY BE ABLE TO RECEIVE MONEY BEFORE IT’S TRADING AGAIN

‘Payments on Account’ extensions are available for business interruption. For example, if there is a loss of rent an interim partial payment can be made before the end of the indemnity period.



10 MAINTENANCE IS NO GUARANTEE

Your client may be meticulous with their inspections and maintenance programmes, but damage does happen and the consequences can be catastrophic.