



## Course of Construction equipment breakdown insurance Fills key coverage gaps in builder's risk property policies

HSB Canada, part of Munich Re, is a technology-driven company built on a foundation of specialty insurance, engineering, and technology, all working to drive innovation in a modern world, to keep you ahead of risk.

### Why Course of Construction equipment breakdown coverage?

A building's vital equipment may be operating for months during construction, until the project is handed over to its owner. During this time, equipment is exposed to a wide range of breakdown perils and risks.

### Builder's risk property policies:

- Typically exclude loss or damage caused by electrical arcing and mechanical breakdown.
- May not cover the high risk phases of equipment testing, commissioning and early operation prior to project completion.

### What can go wrong?

An equipment breakdown can result in direct damage to the equipment and other insured property, loss of revenue, interrupted operations due to delays, and additional costs for repair or replacement.

These losses can include resultant damage to surrounding property.

Air conditioning systems contain a variety of parts that can break down and cause serious problems. Failure of a compressor motor may cost in excess of \$50,000.

Electrical systems typically represent up to 15% of a building's total value. Since components are interconnected, damage from a single accident can destroy vast sections, including transformers, panels, switchgear, power controls, and emergency generators.

Many buildings have underground cables. Arcing and short circuiting can occur for a variety of reasons. Since cables are buried and require excavation, removal and replacement can be very costly.

Heating systems, typically functional during construction, may fail during testing or early operation of the system. Modern buildings have automated energy management systems which operate boilers, air conditioning, lighting, elevators and fire detection. They use electronic circuitry which is sensitive to power surges and electrical disturbances.

### Warranties have limitations

Warranties typically exclude losses caused by external factors, such as temperature extremes, dusty conditions, or improper installation. They typically do not cover costs to remove a faulty unit and install its replacement; or business interruption expenses.



### Loss examples

#### Electrical Equipment

An office building's main line breaker short-circuited when an electrician opened the main panel, causing damage to the equipment and resulting in loss of power to the building.

– Insured losses: \$116,234

#### Transformer Vault

Electrical arcing occurred in a transformer vault of an office building under construction, causing damage and shutting down electrical power to the building.

– Insured losses, including \$40,000 in expediting expenses, totalled \$180,000

#### Air Conditioning

Cracks in the evaporator tubes of a 500-ton chiller resulted in the mechanical failure of an office building's air conditioning system. Replacement of the refrigerant alone cost \$35,000.

– Insured losses: \$129,139

A 44-storey office building lost air conditioning when a 2,000 KVA transformer short-circuited. A large crane was required to hoist out and replace the damaged transformer.

– Insured losses: \$115,000



### Why choose HSB?

Since 1875, HSB has been the leader in providing the specialized underwriting and technical skills required for inspecting and insuring pressure vessel, mechanical and electrical equipment.

Expert knowledge combined with broad coverages ensure the right choice of insurance for any project.

### Contact HSB

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