



An Introduction to Engineering Insurance

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The Insurance
Institute of Preston
and Blackpool
Chartered Insurance Institute

Introduction / housekeeping

Welcome and thank you!

60 minutes webinar format – muted and video off. Polls, Chat, Q&A

Diane Jenkins

- Background in Insurance Broking Sector – technical programme design, M&A due diligence, BI reviews
- Former chair and education secretary of London Business Interruption Association



Nick Thomas & Associates

- Up to the minute training solutions addressing the challenges of the modern insurance professional
- Technical insurance; sales, communication and soft skills; customer service; management and leadership; performance, resilience and wellbeing training

Objectives

By the end of this session, attendees will be able to:

- Understand the engineering risks faced by clients
- Be aware of the key engineering products available
- Know the key types of clients that need engineering cover

Engineering cover

Considering four main engineering types of cover:

- Inspection
- Breakdown
- Business interruption
- Deterioration of stock



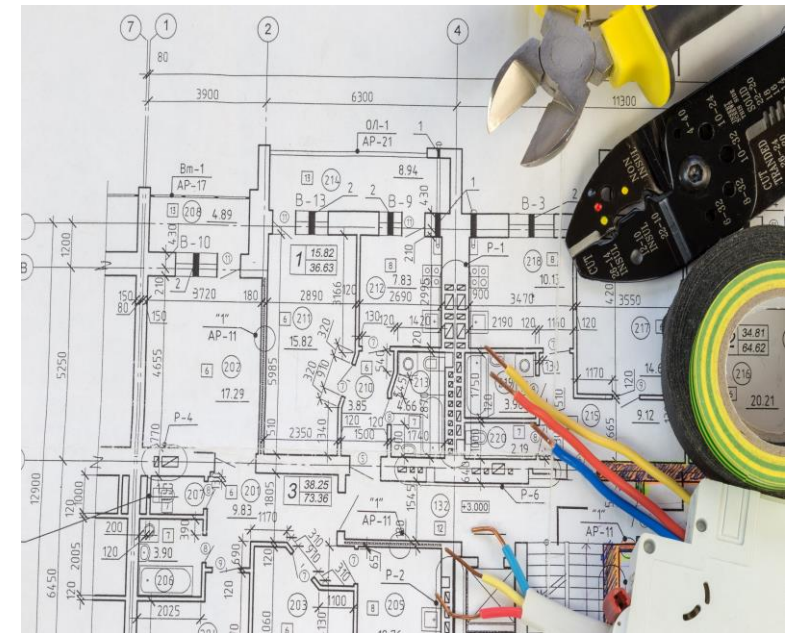
Inspection

Engineering or property insurer's requirements

Statute or regulation – various regulations under Health and Safety at Work Act

Five main classes of equipment to consider

- Pressure systems (boilers, pipes, vessels)
- Lifting equipment (lifts, cranes, blocks, chains)
- Local exhaust ventilation (dust/fume extraction)
- Power presses
- Electrical systems (fixed wiring, portable appliances)



Who carries out inspections?

Service

Specialist inspection engineers –
must be qualified/competent

- Provided by third party inspection companies
- Often linked to engineering insurance policy
- In-house permitted in some circumstances

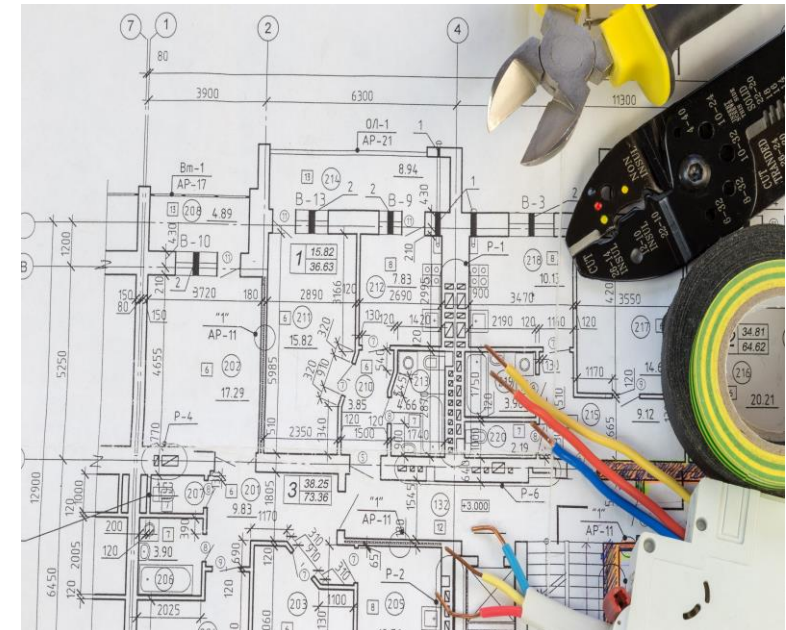


Legislation

Health and Safety at Work Act 1974

- Provision and Use of Work Equipment Regulations 1998 (PUWER)
- The Pressure Systems Safety Regulations 2000 (PSSR)
- The Lifting Operations and Lifting Equipment Regulations 1998 - LOLER
- Control of Substances Hazardous to Health Regulations 1999 (COSHH)
- The Electricity at Work Regulations 1989 (EAW)

Approved Codes of Practice



Inspection

The owner / user bears ultimate responsibility for

- Ensuring inspections are carried out at correct intervals
- Identifying all plant to be inspected
- Preparing plant for inspection (including all necessary dismantling, cleaning etc.)

Review list of plant inspected with client

Serious consequences of not arranging inspections



Engineering insurance

Why is an engineering insurance needed?

Exclusions in an MD policy include

- Explosion of steam plant (except domestic boilers) under control of insured
- Collapse
- Breakdown

NB subsequent damage should be covered e.g., fire started by explosion



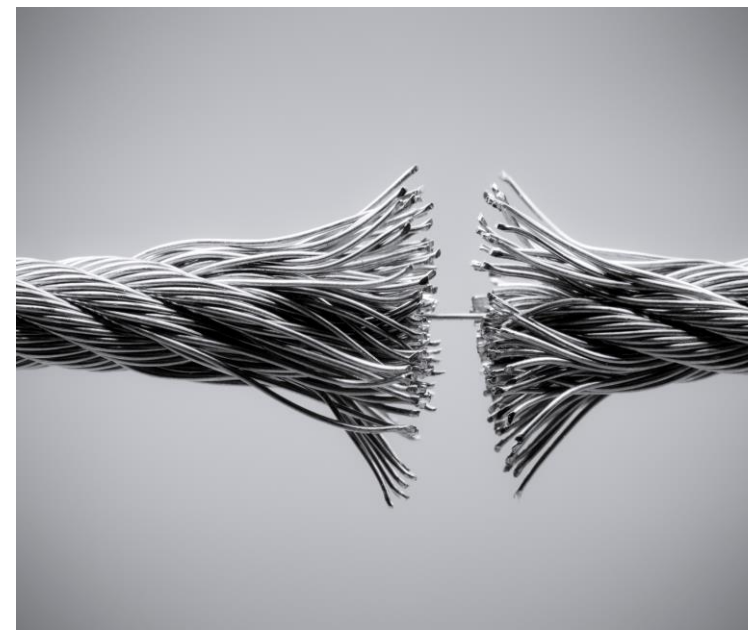
Engineering insurance

Insured event:

- Sudden and unforeseen damage to plant and machinery (includes explosion or collapse, breakdown / accidental damage)
- Own Surrounding Property - damage to property belonging to or held by the insured due to damage to pressure plant
- Damage to Goods Lifted

Reinstatement (may be age limit on machinery)

Blanket policy (preferable) or specific items of plant



Example - Sainsbury's coffee machine explosion

Hampshire Fire and Rescue Service spokesman Craig Mowat said:

'The machine had been completely destroyed after a cylinder behind the machine blew up. It blew a hole in the wall and the coffee machine had exploded from where it was behind the counter'

15 people were injured



Engineering insurance

Exclusions

- Perils covered under property policy
- Maintenance issues
- Deliberate overloading or using outside intended purposes
- Wear and tear, scratching
- Resulting from the initial installation, erection, testing or commissioning
- Multiple lifting operations

Often an inspection warranty



Engineering Business Interruption

Cover:

- Loss of gross profit / revenue following an insured event
- Increase in cost of working to prevent or minimise loss of gross profit / revenue

Check MD proviso

- May be able to extend property BI to cover steam explosion

Indemnity period - may be less than “property” BI

Small amount of property damage can lead to a very large BI claim



Engineering Business Interruption

Key exclusions:

- Non-production computers
- Deliberate act of utility (electricity, gas, water) supplier

Deductibles – usually a time period
(may be franchise)



Deterioration of Stock

Deterioration or putrefaction of refrigerated stock

- Due to unexpected rise/fall in temperature caused by:
 - Breakdown of plant
 - Accidental damage to plant
 - Failure of electricity supply (accidental)
- Contamination of stock by refrigerant

Basis of cover usually estimated selling price (less savings/salvage)

Age limit on cold stores/refrigerant cabinets

Not all types of stock can be covered



Objectives

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Thank you! Questions?

Contact:

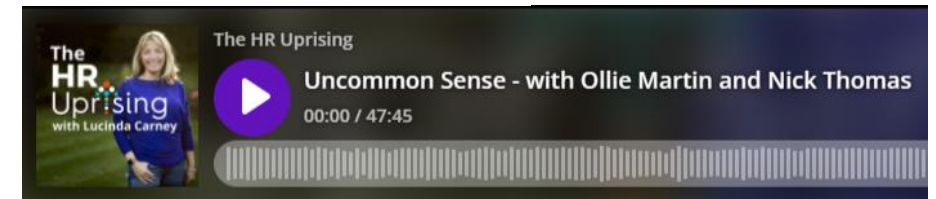
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'Up to the minute training solutions addressing the challenges of the modern insurance professional'

The logo for HRUprising, with 'HR' in purple and 'Uprising' in a lighter purple, where the 'i' is replaced by a colorful crosshair.

[Click here](#) to listen to Nick's latest podcast appearance on 'HR Uprising' talking about workplace performance, resilience and health