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Product Fact Sheet – Machinery Breakdown Insurance

What is Machinery Breakdown Insurance?

Machinery Breakdown Insurance is designed to cover the cost of repairing or replacing a motor or mechanical component in a machine. When a machine breakdowns down, the cost of repair or replacement can be very expensive – in some cases, it can be more than the market value of the entire machine.

How are premiums calculated?

Insurance premiums for machinery breakdown are calculated based on the type of machine, size of the motor, whether it is a sealed unit motor or unsealed, and the age of the machine. Discounts can apply for machinery that is regularly serviced.

How are claims payments calculated?

Cover under a machinery breakdown policy is provided on an “indemnity basis”. This means that when calculating the amount of the claim, the insurance company takes into consideration the age and use and wear and tear on the machine and deducts value from the claim payment. The newer the machine, the less is deducted.

A claims excess is also deducted from any claim payment. Typically, claims excesses with most insurers are around \$200 per claim.

What other risks can I insure under a Machinery Breakdown Insurance policy?

Some businesses rely heavily on their machinery and should one or those machines breakdown; it can also reduce the business’s ability to trade, as well. It is possible under some machinery breakdown insurance policies to cover any loss of profits / income resulting from the breakdown.

Deterioration of Stock

Cool-rooms and other types of refrigeration equipment all use motors to power the compressors and keep the refrigerant gas moving through the system, thus keeping the stock cool. When one of these motors breaks down, the stock inside can warm up and become damaged or unsaleable. Often, motors like these are in constant use, cutting in and out every few minutes. It is amazing how often they breakdown at night. By the time the business owner comes in the next morning, the stock has already gone off.

Under a machinery breakdown policy, it is possible to insure for deterioration of stock following a breakdown. For many businesses, this is in fact the most important cover as the stock can be worth tens of thousands of dollars (think about a Seafood retailer who has a cool-room full of expensive shellfish).

Claims for deteriorated stock are paid on the basis of the replacement cost of the stock – i.e. the wholesale cost including freight.