

## **WARNING: WHAT THE ELECTRICAL AND ELECTRONIC EQUIPMENT COMPANIES ARE NOT TELLING YOU ABOUT THE NEW HAZARDS YOU FACE!**

**By Leland Hendrie**  
President, PHD Insurance



How often have you seen a LED display flashing 12:00 on your clock, microwave oven or other electronic equipment? If you're like most of us, this happens so often that we begin to take it for granted. But what does this mean to us? Is it just the time and trouble to reset all of them? No! It is a lot more, and the manufacturers are not warning you about the dangers you face. The new technology such as interconnecting equipment and other gadgets can cause electrical breakdowns and damage equipment in interrelated systems that can cost you big money.

What's the problem? A momentary power loss will instantly shut down any equipment without a backup energy source. Power is lost by all components in a system at the same time, instead of a pre-programmed shutdown sequence. That's a problem because equipment may require that a certain sequence be followed during shutdown and start-up.

Is this a problem for you or just for business? It is a problem for both. Everyone, including business, runs their equipment on electricity. The uncontrolled shutdown may cause equipment damage. Even if it doesn't, the system may not be in the proper condition to re-start. When the power is suddenly restored, equipment may start up simultaneously, instead of following a necessary sequence, and further damage may result and cause a breakdown.

The point is, unexpected power interruptions can damage equipment, both when the power goes off and when it comes back on again.

Electrical losses are rising. Breakdowns that result from a lack of power are becoming very common. Insurance company claim data shows that electrical losses now surpass mechanical breakdowns. Refrigeration and air conditioning losses have leveled out since the late 1980's, while electrical and electronic equipment losses have skyrocketed since the early 1980's. So, the next time you reset that digital clock, think about what's at stake here. Those flashing lights are a warning – new technology brings new risks that can cost you dearly.

Pool and Spa Equipment Breakdowns. You no longer have to live in California, Arizona, Florida or other states where homeowners use their pools or spas the year around. People in the colder regions have put spas in their homes or have their pools built within their home or in a separate structure.

### What equipment does it take to operate a pool or spa?

- Centrifugal pumps and motors
- Filters and filtration systems
- Water heaters
- Two-speed pumps for spas
- Heat pumps (compressors, fans, heat exchangers)
- Spa air blowers
- Generators
- Automatic pool covers

Doesn't my homeowners or business policy provide coverage for this? Most homeowner and business policies provide a range of protection; however, equipment breakdowns are usually not covered. To fill this gap you need to consider enhancing your homeowners or get an additional coverage if you own a business policy.

What else can cause my risk of loss? The change of seasons increases the chances for equipment breakdowns. Air conditioning breakdowns are often traced back to a lack of attention when the equipment was shut down at the end of the cooling season. Likewise, heating equipment is damaged because it is pressed into service without proper maintenance. Most companies that provide breakdown type coverage offer loss prevention tips that will help you avoid losses. Ask you agent about this. Does he even know?

Sometimes equipment breakdowns have the most unlikely causes. Although there are many causes of equipment breakdowns, accidents involving animals always get people's attention. You might be surprised how many breakdowns are caused by animals and how much the damage can cost.

Electrical equipment is exposed outdoors, or in cellars and conduits. Boilers in basements and rooftop air conditioning units attract birds, rodents, squirrels and other animals. Here are just a few examples of those types of losses.

- Snake shuts down city. A snake squeezed into a breaker box in a municipal utility substation, knocking out power to a city.
- A bat flew out of a voice processor in an attorney's office when it was released by the troubleshooter who was trying to find out the cause of the shutdown.
- A horse being treated for a leg injury kicked the head of a shockwave therapy machine. The veterinarian said sparks later shot from the machine, which is used to help animals heal broken bones and caused the coil, transducer and therapy head to be damaged.
- Birds flew into high voltage lines connected to a transformer for a community building complex, disrupting the power supply and damaging 14 roof top air conditioning units. Extensive repairs were required to repair the air conditioners.
- Two dead lizards were found in a main electrical panel and circuit breaker at a regional wastewater treatment plant burning out the connections.
- A squirrel shorted out a utility transformer and caused power to fluctuate inside a nearby service station and mini-mart. The accident damaged a snow cone ice shaving machine and a beer cooler's refrigeration compressor.

Electrical equipment is a leading cause of structure fires. When an electrical system breaks down, it's not only expensive to make repairs, but can be a disaster in terms of fire loss as well.

The National Fire Protection Agency reports that electrical malfunctions are a leading cause of fires in homes and commercial buildings. From 1999-2002, fires caused by electrical distribution or lighting equipment killed 240 people and resulted in more than \$1 Billion in damage, according to the NFPA.

What do you need to do now? Call your agent and find out what you need to do to cover these types of losses. For only a few dollars, coverage can be provided to you regardless of whether you're a homeowner or business owner.

**At PHD Insurance Brokers we are here to help you understand and deal with this problem. Call us at (800) 640-4743 or (714) 534-6310 or visit us on our website [www.phdinsurancebrokers.com](http://www.phdinsurancebrokers.com)**

Sincerely,



Leland J. Hendrie, CLU

Author, Speaker, and Consumer Advocate

**License #0462338**

© 2006, Leland J. Hendrie. The reader assumes all responsibilities for his/her own actions in regards to any items discussed in this report. Adherence to all applicable laws and regulations, federal, state and local, governing the use of any product or service described in this report in the US or any other jurisdiction is the sole responsibility of the reader. The publisher and author assume no responsibility or liability whatsoever on the behalf of the reader of these materials. The reader is encouraged to consult directly with his/her insurance professional.