

CHAPTER 7. BOILER AND MACHINERY INSURANCE
EXPLANATION AND REQUIREMENTS

7-1. BOILER COVERAGE.

- a. If there is a steam boiler in operation for the development, specific boiler explosion insurance is required. (The basic property insurance policy does not cover the damage caused by a boiler explosion.) In determining the adequacy of the amount of this coverage there must be careful review and consideration of all the facts and exposures for the purpose of estimating the maximum possible amount of a single loss by a steam boiler explosion to the boiler, piping and to the building housing the boiler.
- b. The required minimum limit for the boiler insurance should be at least \$100,000 per accident, per location on a replacement cost basis. After careful examination of all the related information in any given case, it may be determined that the required minimum limit of \$100,000 is inadequate. In that event, a greater amount of coverage shall be purchased. Determination of the adequate amount is the responsibility of the HA.

7-2. POLICY FORM.

Boiler insurance shall be evidenced by a standard Insurance Service Office boiler and machinery policy, broad form, including repair, replacement, expediting expense. (The basic CGL policy covers bodily injury liability losses caused by a boiler explosion.)

7-3 INSPECTIONS.

- a. All boilers, including steam boilers, shall be subject to annual inspections except hot water supply boilers or tanks which are directly fired with oil, gas or electricity when none of the following limitations are exceeded:
 - (1) a heat input of 200,000 BTU/hr.
 - (2) a water temperature of 210 degree F (99 degree C)
 - (3) a water-containing capacity of 120 gallons

- b. Such excepted boilers and tanks should be equipped with ASME National Board constructed and related safety and relief valves. Such inspection should be conducted by an authorized inspection agency, that is, either:

- (1) a state or local inspection facility or other authorized inspection service created in accordance with state or local law for the purpose of inspecting such boilers, or
- (2) an insurance company which has been licensed or registered by the appropriate authority of a state or locality and whose inspection services are acceptable under state or local ordinances, if applicable.

7-4. ACC REQUIREMENT.

The ACC requires that only steam boilers be insured. However, since the cost of the inspection service is included in the boiler insurance premium, the Department recommends that all boilers subject to state inspection be included in the boiler policy.

The ACC requires this coverage only if steam boilers have been installed. However, Boiler and Machinery policies issued by most insurance companies have been expanded to include coverage for air conditioning compressors, pumps, piping, and similar equipment, as well as electrical transformers, miscellaneous mechanical, electrical, and telecommunications equipment for perils that would not be covered under the basic property insurance policy. If a HA has property of this type with high values, consideration should be given toward purchase of a Boiler and Machinery policy, even though no steam boilers are owned.

7-5. JOINT LOSS AGREEMENT.

Unless the same insurance company insures both the property insurance and boiler and machinery, the HA should request that each company add a joint loss settlement agreement to each policy. It prevents a disagreement between the property insurer and the boiler insurer as to which policy should respond to a particular loss and in what amounts. When both policies are appropriately endorsed, each insurer pays one-half of the disputed amount, pending resolution of the issue between themselves.

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7-6. PARTIES INSURED.

A PHA/IHA shall be shown as the named insured. The U.S. Department of Housing and Urban Development should not be named as an insured.

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