



# Equipment breakdown and maintenance.

Professionals, in all different fields, rely on their equipment and tools of varying types to run their business. This equipment could be very specific to a field of work, such as an x-ray machine, or it could be very common and used by all, such as an air conditioner. Regardless of what it is, when equipment is no longer working as it should, this can significantly impact a business' operations.

## Understanding insurance

Breakdown insurance is designed to replace or repair an item or piece of equipment, when it fails to operate as intended, following a sudden and unforeseen event that causes physical damage to parts and components. This damage may be due to mechanical, hydraulic, electrical or electronic breakdown, or a faulty circuit.

However, breakdown insurance doesn't cover gradual deterioration over time due to regular, normal usage. Equipment doesn't last forever. It should be expected that equipment will cease working as parts near the end of their usual or expected lifespan; this is generally referred to as 'wear and tear'.

## The importance of looking after equipment

Given insurance won't cover your equipment for wear and tear, business owners and their staff should consider what they can do to improve the longevity and effectiveness of the equipment they rely on.

**It starts with correct installation** – when equipment needs to be installed, be sure this is done correctly and by a qualified professional where necessary. It's quite common to see equipment stop

working sooner than expected when it's been incorrectly installed. Proper installation can include, but isn't limited to, adequate ventilation, correct location, surge protection and securely fastened connections and fittings.

**Understand your warranties** – when you purchase and install equipment, you'll often be provided with a warranty. Be aware of the duration and terms of the included warranty and consider purchasing an extended warranty for more valuable and critical electronic equipment.

**Create a maintenance program** – this program should detail what needs to be checked and possibly serviced and when and it should include reminders to alert you when this is due. Be sure to include details about who in the business is responsible for



organising the maintenance check as well as previous maintenance which has been undertaken. And think broadly about the term 'equipment' and what needs maintaining. Some equipment may be out of sight or not obvious from a maintenance perspective.

When your business relies on particular equipment, hope isn't enough. You need to be proactive in looking after your equipment.

**Cost of ownership** – as an insurer we often hear of cases where issues with equipment are identified, yet for financial reasons, repairs are put off. While financial limitations of businesses are understandable, putting off repairs could end up costing the business more in the future.

You should also depreciate your equipment and put aside sufficient funds to allow for its replacement at the end of its working life.

**Use equipment as intended and designed** – when equipment is used for purposes or in ways that it wasn't designed for, this can increase the wear and tear and lead to it needing to be replaced sooner than it should have been.

**Know what you're responsible for** – if you're a tenant in a premises, it's vital that you understand what equipment you're responsible for maintaining on behalf of the landlord. It's recommended you have a documented maintenance program, agreed with the landlord,

that clearly states who's responsible for what. Don't make assumptions and be sure you understand what's in your rental agreement.

#### Your insurance cover

When insuring your business, it's important you understand what you are and aren't covered for. Don't make assumptions about this; speak to your account manager or insurance advisor if you're unsure.



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**Don't go it alone**

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