

# Summary of Engineering Insurance Classes of Business<sup>\*</sup> )

## Renewable (annual) covers

### Deterioration of stock (DOS) insurance

The insurance of “deterioration of stock in cold storage” is designed to meet the requirements of those who want to insure themselves against deterioration of goods in cold storage due to a breakdown of refrigerating machinery.

There are basically two different methods of preservation:  
Cold storage under freezing conditions and cold storage under cooling conditions.

In the case of cold storage under cooling conditions, a distinction must be made between two types of cold storage: storage in a normal atmosphere and storage in a controlled atmosphere (CA storage). The storage atmosphere in CA storage rooms is different to that of normal atmospheric air and contains approximately 22% carbon dioxide, 4% oxygen and 74% nitrogen.

The insurance of stock in cold storage is important, for example, for

- owners of cold-storage houses,
- users (tenants) of cold-storage houses,
- firms in which agricultural products are manufactured or processed,
- meat and fish processing industries,
- food preservation industry,
- chemical and pharmaceutical industries (finished and semi-finished products).

All goods suitable for storage in cold-storage houses may be covered, the largest category being food. Deterioration of stock insurance is a complementary cover to machinery insurance and may only be taken out in connection with the latter.

Causes of an indemnifiable claim for deterioration of stock may be

- a rise or fall in cooling temperature,
- the unforeseen and sudden escape of refrigerants into the cold-storage rooms,
- in the case of CA storage, an incorrect composition of the storage atmosphere directly resulting from any material damage to the refrigeration plant which is indemnifiable under machinery insurance.

It is possible to extend the deterioration of stock cover to include deterioration due to the failure of the public power supply, provided the position regarding public and back-up power supplies is found to be satisfactory.

The rating of the risk of deterioration of stock kept in a normal atmosphere is based entirely on the no-claims period which is determined by various factors such as

- quality of the refrigeration plant insulation,
- storage temperature,
- type of goods stored,
- quality of goods stored.

When calculating the premiums for CA risks, the decisive factor is the classification of the stock stored in terms of quality. The rating takes into account the no-claim (non-deterioration) period of the individual goods stored.

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<sup>\*</sup>) This summary is taken from Munich Re's booklet Technical Insurance References and is based on the examples of Engineering Insurance wordings of Munich Re, but broadly applies in general to the class of Engineering Insurance referred to herein.