

# Hot work claims scenarios: Fire at a timber manufacturer

Whilst hot work claims are a relatively rare occurrence, when they do happen, the damage and cost they inflict can be significant. As an example, the average cost of the hot work claims we have seen since 2018 have been around £1.8m. One of the largest claims we've managed was for over £14m and on average it takes 15 days for us to be notified of such incidents.<sup>2</sup>

We asked our Technical Property Claims Manager **Katherine Fryer**, who has expertise in this area, to provide a typical claims scenario to demonstrate how a hot work incident can occur and what clients can learn from the claims outcome. Our Director of Risk Management **Chris Andrews** has also provided some comments on what could have been done to prevent the incident occurring in the first place.

## Fire at a timber manufacturer

Our policyholder's tenant is a timber manufacturer and they decided to have a mezzanine floor built and employ a contractor to construct it.<sup>1</sup> The policyholder used to carry out regular inspections of the premises and have half yearly discussions with their tenant, to discuss their working practices and changes to the business, but stopped a few years ago. There used to be a fire alarm at the premises but, unbeknown to the policyholder, this had not been maintained by the tenant and no longer worked.

Late one afternoon, the tenant's contractor was left alone at the property, to finish cutting the steelwork to be used for the mezzanine. The area contained deposits of bark and other combustible materials 1.5m away that had not been swept up. When the contractor completed their task, they waited in the area for 10 mins and then proceeded to lock up and go home. A passer-by called the fire brigade at 9pm after seeing flames but, by that point, the fire has spread, causing extensive damage to the main structure and adjoining workshops.

The tenant advised their own insurers about the fire who, after a month, declined their claim on the basis of a non-disclosure. The tenant then advised the policyholder of the loss, who appointed their own insurers. An adjuster and forensic investigator attended the site but found that the property had been cleaned up, an employee who had been first to the scene had since left their employment, leaving no contact details and CCTV footage was lost.

Although the forensic investigation concluded that it was likely that sparks from the equipment used ignited the combustible waste laying close to the machine, as the scene had been cleaned, they could not rule out other causes. The tenants were unable to produce any paperwork relating to the contractor they employed.

The cost of the claim was £1.2m. Without sufficient evidence, no recovery could not be pursued against the contractor, who was likely to have been acting against industry practice and failed to carry out sufficient fire watch.

**18% of the hot works claims we have seen since 2018 didn't have enough evidence to pursue a recovery for our costs back. This equated to approximately £8m worth of costs.<sup>2</sup>**

## What can your clients learn from this?



**Katherine:** We encourage good communication between our clients and their tenants, this is because failure to notify the landlord of the claim in good time meant that the investigations were delayed, key evidence misplaced and witness statements not captured. Not only this, the insured was not aware of the hot work activity and therefore not given an opportunity to have a say in the contractor used or have sight of formal paperwork.

Generally, I would also advise landlords to make sure they know the business and type of activities carried out by their tenants. It is beneficial to maintain good communications, not just to prevent loss, but to ensure they are aware of what to do in the event of a loss.



## How could this have been prevented?



**Chris:** First is to establish if the work could be completed another way. If it can't, and hot work needs to be employed, then an appropriate hot work procedure must be in place. This would include a risk assessment, a physical inspection of the work area and the right and competent person providing a hot work permit prior to the work commencing.

This physical inspection should have identified the combustible materials present and a minimum of 10m from the hot work area should have been cleared. Equally, the hot work operative, given the right training should be easily able to identify the presence of combustible materials and remove the fuel from this potential hazard.

The post work fire-watch is the final phase of the hot work procedure. This should be a minimum of 1 hour continuous monitoring of the area followed by regular intermittent checks which can be for several hours, subject to the findings from the risk assessment, after the work has completed.



## Key Takeaway

### Risk Management:

In summary, this loss was completely avoidable because:



**It missed the basics** – there was a lack of appropriate hot work procedures, site briefing, training, physical inspection and fire watch.



**Contractor competency** – building owners should check contractors' competencies for any work being completed on a site and ensure their liability insurances are adequate.



**Regular fire-risk assessment and inspections** – building owners need to understand how their building is being managed.

### Claims:

Should a loss occur:



**Speed is key** – Make sure a claim is notified without delay to minimise any business interruption claim and strengthen any recovery opportunities.



**Communication breakdown** – Try to avoid this as it can lead to failings and poor risk management maintenance.



**Background checks** – Vet any contractors before they are onboarded and retain all paperwork.



**Capture and retain evidence** – having good CCTV cameras set up, witnesses and preservation of the site is really important.

**To find out more about Hot Work procedures and how to prevent related losses, visit our website for the latest news, insights and resources.**

<sup>1</sup> Claims scenarios are not representative of claims received by Aviva and are purely fictitious, for illustrative purposes only. Any similarities between the examples given and true-life events are purely coincidental.

<sup>2</sup> Figures are based on an analysis of Aviva claims data from Jan 2018-July 2021.

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