Hot work claims scenarios:
Hotel maintenance work

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.[2]**

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.

Hotel maintenance work

A hotel was having maintenance works carried out, including the replacement of a felt flat roof on single storey extension.[1]

On the day of the fire, the third-party contractor put down one layer of felt, waited for 10 minutes and then left the area shortly afterwards to go and obtain further materials required. A short while after leaving, the fire alarm activated, and the residents were quickly evacuated.

Forensic investigation identified that the fire was caused when combustible materials within the roof structure were ignited by blow torches. The insured took down the contact details of all witnesses so that these could be passed on to the people investigating the fire.

The insurance company were given clear details of the incident straight away, meaning that the right experts could be appointed and be on site to start investigating the fire without delay, providing key support to the insured, preserving evidence, securing witness evidence. They were also able to assist the insured with managing the guests from the hotel and make early contingency plans to minimise their business interruption losses.

The insured were able to pass the paperwork relating to the contractor to the insurance company, including the evidence that there had sufficient insurance funds and permission to carry out hot works. The insurance claim is accepted, and insurers later make a successful recovery against the third-party contractors PL insurance.

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.[2]

What can your clients learn from this?

Katherine: Although the contractors were proficient in carrying out hot work, on this occasion, they failed to carry out sufficient fire watch, leading to the fire was successfully put out.

However, because the fire alarm had operated correctly and the insured followed their evacuation plans, the fire brigade were on site quickly and the fire successfully put out. Certain steps taken by the insured did set their claim up for success: early contact with the insurance company meant that investigations could start straight away, evidence was preserved and Business Interruption losses were minimised.

In addition, the clear background work, retention of paperwork and securing of the witness details meant there was strong evidence available to build a good case against the third party.

How could this have been prevented?

Chris: Had an established procedure, risk assessment and hot work permit been in place it would have identified that the work was to be completed on a combustible roof and therefore greater controls, or alternative work methods, would need to be in place to ensure that ignition didn't occur.

When the work commenced, a trained fire-watcher equipped with appropriate fire-extinguishers has the opportunity to prevent the fire from escalating from the incipient stages or, at the least, where the fire grows out of control and becomes unsafe to tackle allows quicker notification to the Fire Services.

Key Takeaway

Risk Management:

In summary, this loss was completely avoidable because:

Follow procedure – if the correct hot work procedure had been in place then an alternative method may have been used and the incident could have been prevented.

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

Claims:

Should a loss occur:

Speed is key – Make sure a claim is notified without delay to allow the insurer to begin investigating right away and to minimise any business interruption.

Quality information – giving the insurer as much information as possible means they can assist the client effectively and keeping thorough records of paperwork demonstrates due diligence; strengthening recovery opportunities.

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