

LOSS LESSONS

VOLUME 8

ALLIANZ GLOBAL CORPORATE & SPECIALTY®

A SMOKY WARNING THAT COULD HAVE BEEN EASILY AVOIDED

REPORT PUBLISHED BY
ALLIANZ RISK CONSULTING



Occupancy:

Car interior systems
manufacturing

Property Damage:

€ 4,000,000

Business Interruption:

€ 2,000,000)

(additional costs)

CIRCUMSTANCES

On October, 14th, around noon, a fire starts in the raw materials and finished products storage area under a canopy attached to the production building of a car dashboard and door panel manufacturing plant.

As the existing sprinkler protection of this canopy is not operational, the fire spreads rapidly due to the high combustible load (finished plastics products stored in portable racks or in plastic crates, plastic pellets in cardboard boxes, ...). The fire is discovered by a plant supervisor as there is some production going on in the building on this Sunday. He transmits the alarm to the watchman on duty who calls the public Fire Brigade.

Their quick action allows to limit the extension of the fire to half of the canopy surface and to prevent its spread into the production building after a harsh 3- hour-fight by 80 firemen using the hydrants on the city water main.

EXTENT OF THE DAMAGE

- Half of the raw materials and finished products stock was burned completely
- 2,500 m² of the canopy were destroyed. The roof and the wall of the production building (metal frame and mineral wool insulated metal cladding as well as bituminous felt on the roof) were damaged by heat radiation from the fire
- The smoke that had entered massively into the production building led to the deposit of a thick soot layer on the production equipment and the interior building structures
- The production activities in the building were only impaired until the next day (to allow clean up)
- Delivery of finished products to the clients was hampered for only a few days

CAUSE OF THE LOSS

The cause of the fire is currently still uncertain, but during an insurance survey conducted several months after this loss, lack of respect of the existing non smoking policy was observed in the canopy area. A similar situation the day of the loss could have been at the origin of the fire.

WHAT HAS WORSENERED THE LOSS

- The existing sprinkler protection of the canopy and the production building was impaired due to the fact that 6 out of 8 sprinkler control valves were closed
- These control valves had been kept closed for several months without notification to the Corporate Risk Manager and to the insurer
- Not only the maintenance, but also all inspections - including weekly self-inspections - of the sprinkler system were completely subcontracted to an external service provider. No member of the plant staff knew how to operate the sprinkler system
- It is not clear if a problem occurred during the manual start of the sprinkler pump. Nevertheless, the high number of open sprinkler heads found after the fire allows the hypothesis that, even if the sprinkler pump had been successfully started manually, the extinguishing capacity of the system would have been overtaxed
- The lack of fire cut-off separation between the canopy and the production building led to significant additional damage inside the building

WHAT HAS LIMITED THE LOSS

PROPERTY DAMAGE

- Start of the fire under the canopy and not inside the production building
- Presence of staff (even though the production building was only partially occupied) on this Sunday, with immediate transmission of the alarm, allowing quick response of the public Fire Brigade (within approximately 20 minutes) using the public water supply that was adequate for fighting this type of fire. The preservation of the production building avoided a catastrophic loss of several tens of millions of euros
- The availability and commitment of the plant staff allowed immediate clean up of the equipment and the internal building structures, thus avoiding permanent impact on production facilities

BUSINESS INTERRUPTION

Disruption of product delivery was limited thanks to the strong efforts of the plant personnel for quick resumption of the production activities as well as to the existence of safety storage of raw materials and finished products. If the production building had been seriously damaged, a total business interruption of several months would have occurred and market share would probably also have been lost for the Group.



↑ Before ...



↑ ... after!

COMMENTS AND LEARNINGS

Aware that the Group had come very close to a catastrophic loss and embarrassed by the fact that the important fire safety investment of the plant that the sprinkler system represents was annihilated by the non respect of the most basic procedures of sprinkler system maintenance and inspection, the Risk Manager reminded those procedures to all sprinkler protected plants of the Group.

- A sprinkler system is a very efficient and reliable protection (> 95 % success rate) **if it is properly installed, inspected and maintained**
- If a sprinkler system or a part of it has to be impaired (due to works needing to be done on the system, for example), the duration and extension of this impairment shall be kept as limited as possible
- The impacted staff, the on site fire-fighting squad and the insurer shall be notified of the impairment of fire protection systems by using a standardized impairment form. This procedure is also applicable for restoration of the fire protection systems
- The results of the half-yearly inspections of the sprinkler system shall be transmitted to the plant management even if this type of inspection is subcontracted to an external service provider. If a subcontractor is used, he shall be closely monitored by the plant safety officer and the plant maintenance department
- The weekly sprinkler system self-inspections shall never be subcontracted. They shall be performed by designated and specifically trained plant staff. This is vital for maintaining the necessary knowledge and control of sprinkler system operation, especially in emergency situations
- If a watchman service exists, the watchmen shall be trained in basic sprinkler system operation: manual emergency start of the diesel driven sprinkler pump, handling of sprinkler control valves and of the main sectional valves of the sprinkler system

In parallel to this reminder, a questionnaire was sent to all sprinkler protected plants to investigate the level of respect of these procedures. The plants were asked to send back within one month the filled in questionnaire together with the action plan for improvement of compliance if necessary. Additionally, the Risk Manager, with the assistance of the Allianz Risk Consultants France, implemented a reinforced third party sprinkler system follow-up. These inspections are now to be performed systematically half-yearly on a world wide level, including an alert function managed by the insurer in case of major deficiencies being observed.

QUESTIONS OR COMMENTS?

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Reference LL 08/18/05