DETAILS OF INTERESTING CLAIM
(From Risk Control and Claims Handling in Advance Loss of Profits Insurance - IMIA Paper WGP11 (00)E)

No: DOIC33 (CAR)

Type of Insurance:

CAR

Description of damaged item:

Fire during the construction of an office block

Cause of Loss:

(5) Fire

Claim Cost

Description of Incident and Loss Prevention Measures initiated:

A construction project for a high-rise office block not only involved high-tech building installations for telecommunications, air conditioning, surveillance etc. but also a very complex facade design. A red marble from Brazil was used. This was cut and ground in Carrara, Italy, before being inserted into the corresponding aluminium mounts at a specialist facade company in Germany ready for fitting on site.

Outline the interesting or unusual aspects of this claim or problems experienced during settlement:

During the very labour-intensive interior finishing stage, involving large numbers of personnel, a fire broke out in the atrium, which rapidly spread through all nine floors of the approximately 55 m-high building. The large number of vertical and horizontal openings in the building during the installation work facilitated the spread of a great deal of smoke and conflagration gases throughout the building. A number of facade elements, which had already been fully mounted, were thus soiled to such an extent by soot, smoke and conflagration gases that they had to be replaced. Unexpected problems arose in connection with the exchange of these facade elements, which not only increased the property damage but also prolonged the period required for repair work:

- The colour of the marble being excavated from the Brazilian quarry had altered in colour in the course of the further exploitation of the quarry. Only after laborious searching could a sufficient quantity of material in the original colour range be excavated;
- According to the usual construction schedules, facade work is generally carried out towards the end of the construction phase, thus leaving enough time even for very time-consuming facade construction work such as this. However, this situation was completely altered with the procurement of replacement facade elements following the fire. The excessive amount of time required for facade construction began to have a negative effect on the fire damage repair work, due to the search for material, its shipment to Italy and overland transport to the manufacturing plant;
- At the manufacturing plant itself, series production of the marble facade elements had long since come to an end, making it necessary to rearrange production sequences before the replacement elements could be manufactured.

The conclusion to be drawn and noted in this case is the fact that imported components and materials; made-to-order items, prototypes and complex construction sequences have a general tendency to aggravate the risk in the case of ALoP cover. It is therefore essential to recognize such circumstances at an early stage, whether through an in-depth study of the risk documents or through pinpointed enquiries, in order to ensure that this is adequately taken into account in the underwriting phase.

**CODES**

1. Type of Insurance

M - Machinery Breakdown
BE - Boiler Explosion
LP (M) M - Loss of Profits
ALOP (DSU) - Advance Loss of Profits
EAR - Erection All Risks
CAR - Contractors All Risks (Civil)
G - Guarantee
EE - Electronic Equipment
O - Other Classes

2. Cause of Loss

(1) Faulty operation
(2) Faulty material or workmanship
(3) Faulty design
(4) Other internal causes
(5) Fire
(6) Explosion
(7) Storm
(8) Earthquake
(9) Other external causes
(10) Other causes or unknown