

Large Claims Lessons Learned



Line of Business: Property Topic: Fire Hazards

Claim scenario

A customer's vehicle ignited in a dealership's service area, which was not equipped with an automatic sprinkler system. The resulting fire damage required the replacement of a section of the roof and a concrete wall, as well as repair or replacement of mechanical, electrical and plumbing systems. There was also fire, smoke and water damage to parts, equipment and tools in the service area, including employee toolboxes.

The service area was closed for four days and then had only three of their seven lifts available. It took several months to restore all damaged property, parts, equipment and tools. Some damaged auto parts, equipment and tools were able to be sold for salvage for a total of \$57,000.

Financial impact:

This claim may have a financial impact of up to **\$1,600,000**.



Lessons learned

1. Fire suppression systems are critical. The absence of an automatic sprinkler system significantly increased the extent of property damage and business interruption. Fire suppression systems are a foundational control in high-risk areas like service bays.
2. Service areas are high-risk zones. The combination of flammable materials, electrical systems and vehicle activity creates a heightened fire risk. These areas require enhanced fire protection and monitoring protocols.
3. Business interruption can be long-term. Even a short-term fire can lead to months of operational disruption, affecting revenue, customer service and employee productivity. Recovery timelines are often underestimated, especially when structural repairs and equipment replacement are involved.
4. Tool and equipment losses add up. Damage to employee-owned tools and dealership equipment can result in significant secondary losses. Proper inventory management and insurance coverage for tools are essential.
5. Fire origin investigations may delay claims. When the cause of fire is unknown or under investigation, it can delay insurance settlements and recovery planning. Maintaining detailed maintenance and incident records can support faster resolution.
6. Partial salvage value only offers limited relief. While some damaged items were salvaged, the financial recovery was minimal compared to the total loss. Salvage value can offset only a fraction of the total loss.



Action needed to prevent this type of loss

- Ensure all service areas are equipped with properly maintained automatic fire suppression systems.
- Conduct regular fire risk assessments. Routinely inspect service areas for potential fire hazards, such as flammable liquids, faulty wiring or blocked exits.

- Maintain fire extinguishers. Place extinguishers in accessible locations and provide regular training on their use.
- Implement safe storage practices. Store flammable and combustible materials in designated, secure areas away from ignition sources.
- Develop and practice emergency response plans. Train employees on fire evacuation procedures and conduct regular fire drills to ensure readiness.
- Inspect and maintain electrical and mechanical systems. Regularly service equipment and systems to prevent malfunctions that could spark a fire.
- Have electrical systems infrared-tested annually. Infrared Scanning is a non-invasive technique used to locate hot spots on energized equipment.
- Reduce the risk of ignition by minimizing how long vehicles run idle inside the building. Ensure proper ventilation in service bays to reduce the buildup of flammable vapors.
- Implement a Hot Work Permit system for any welding, cutting or grinding activities.
- Keep service bays and workspaces clear of debris, oily rags, and unnecessary combustible materials.



Loss prevention/risk management resources

Zurich offers a variety of risk management services and resources to help minimize fire risks, including but not limited to:

- **Infrared Thermography Services**
- **Business Continuity Services:** Including business continuity planning tools, thought leadership content, and guidance on best practices to help prepare for and recover from fire-related disruptions.
- Risk Engineering consultations: Access to Zurich's Risk Engineering experts for tailored advice and on-site risk assessments.
- Insurance coverage reviews: Ensure your property, equipment, and business interruption coverages are adequate for your specific risks.

By implementing these actions and making use of Zurich's risk management resources, you can help protect your people, your property and your business continuity — creating a safer, brighter future for everyone at your dealership.

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