

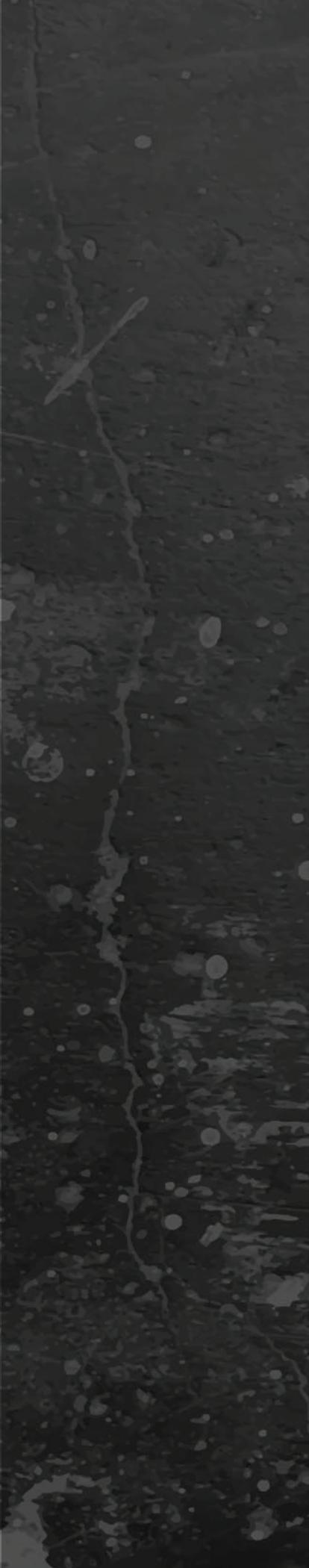
# INSURANCE WOES

Inadequate or Unmaintained  
Fire Suppression Systems &  
How They Could Affect Your  
Business's Recovery After a Loss

A Publication of



Albany Fire  
Extinguisher



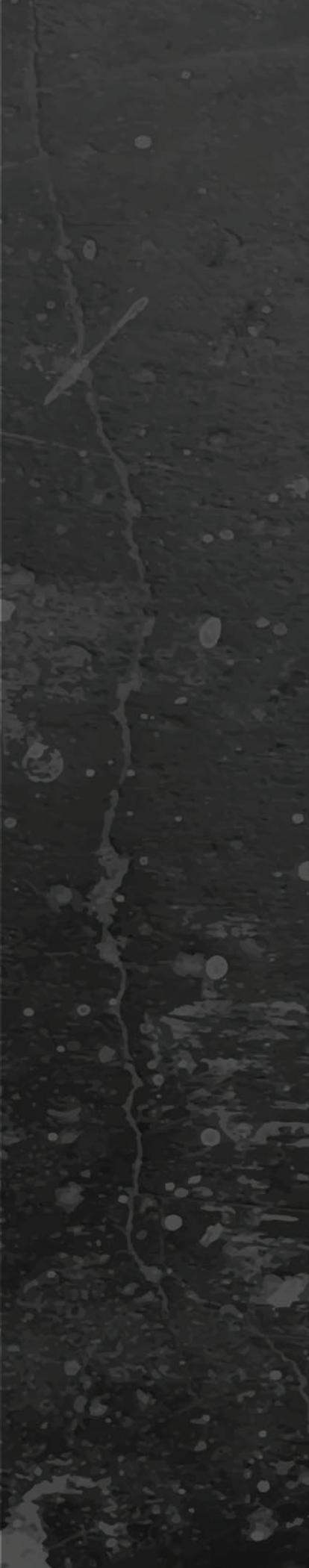
There are many reasons a restaurant or commercial business should have a fire suppression system installed. Safety and prevention of the spread of fires are the initial reasons that may come to mind, but there is another major reason that is often overlooked: insurance risk.

## **Fire risk and insurance coverage for your business**

There are many types of insurance a business carries— property loss, liability, business interruption—all of which can be affected if a fire-related loss is suffered and the business had not installed or adequately maintained its fire suppression system. An insurance company can and will inspect such systems to see if it was up to code at the time of the incident, and if stipulated by the policy, claims can be denied for failing to properly maintain the system. Installing a fire suppression system drastically reduces the fire risk for a business and property, and lower insurance premiums are often associated with proper system installation and maintenance. Should a business provide services or create goods that increase the risk of fire, a system may actually be required in order for the business to be fully insured.

## **Advice on fire coverage from two insurance experts**

To find out more about the relationship between fire suppression systems and a business's insurance policy, it is important to speak with an insurance expert. There are many professionals in different facets of the insurance world who have experience with commercial insurance policies. Public adjusters act on behalf of policyholders, working to maximize their return should a loss be suffered. Daniel Tompkins and Robert Dragonetti are licensed public adjusters with Adjusters International/Basloe, Levin and Cuccaro in their Albany, New York location. Tompkins is an industry veteran having worked for an insurance carrier



and also as the owner of his own independent adjuster firm. Dragonetti has more than three decades of experience on the carrier side, previously employed with MetLife. Both now work to settle insurance claims for home and business owners who have suffered property loss and business interruption due to fire, flood, wind, and other catastrophes.

In speaking with Tompkins and Dragonetti, it is apparent that fire suppression systems are not only essential to a comprehensive insurance policy but also common sense. The amount of risk involved with owning a business or company where fire is a possibility at any time will be top of mind for an insurance policy underwriter. Fire suppression systems help to lessen risk on the fronts of liability, property, and business interruption, so naturally many insurance companies require them before a policy can be written. Should a system already exist in a property a business is looking to acquire, the insurance company may perform an inspection on that system before a policy will be issued.

In terms of liability, both Dragonetti and Tompkins agree that a fire suppression system can provide added safety to your employees and your patrons. As Dragonetti points out, “A non-functioning system is a liability hazard; should there be a fire, not only are you losing your business but you are opening yourself up to all sorts of lawsuits.” A fire suppression system can buy more time and subdue a fire long enough to safely evacuate a facility or public eatery.

According to Dragonetti and Tompkins , even entertainment venues should be outfitted with a proper system that will cover the massive square footage common with such properties. Often large concerts and special event venues allow pyrotechnics to be displayed within an enclosed space. There have been countless stories of indoor pyrotechnic mishaps that cause massive fires and tragically take lives, usually followed up by a story of the property owner or business proprietor being found at fault. In addition to whatever criminal legal woes may be faced, that owner can also expect costly civil suits. Fire suppression systems can reduce the chance of such incidents happening; they can also drastically reduce the risk that an insurance company will deny a claim.

# Fires can cause more than just property loss

When thinking of fires and how they impact a business, property loss is immediately what many think about. But perhaps more important is business interruption coverage. What if a fire consumed a business – all of the equipment, all of the materials, records, and computer systems, an entire building – how would that business ever be able to recover?

If that business was your livelihood, one can bet you would want it protected at all costs should operations ever be interrupted. Business interruption insurance provides that security when a policy provides good coverage limits and a business owner is diligent about keeping up with policy requirements, including maintenance of a fire suppression system.

Here is an example: A restaurant has suffered a fire, but fortunately the owners had a professionally installed and regularly maintained and inspected fire suppression system. The system functioned properly after the stove caught on fire from spilled grease. After the owners were given the all-clear to reenter their eatery, they discovered that the stove and the ventilation system would no longer function properly. They informed their insurance company immediately and began working to get the items replaced. The restaurant lost three days of business to clean up from the fire. Fortunately, due to the restaurant owners' diligence in keeping their fire suppression system in working order, the insurance company paid out for the three lost days of business operation, and the appliances were covered as well. The effects of the fire could have been much worse, and recovery may have been an impossibility if the claim had been denied due to failed maintenance.

## **Requirements may differ for property owner vs. business owner**

Property loss is actually a unique aspect of a fire loss. While the business situated within the four walls of a building may own the structure, many times property owners are separate from the independent businesses that operate within a building. A business's insurance policy may have different requirements than that of the property owner, just as a property owner's insurance policy may also require unique stipulations. Regardless,, property owners and business owners alike can benefit from installing a fire suppression system on the premises. Not only will they likely see lower premiums, they can also ensure renewal by their insurance company with proper maintenance and inspection.

As Tompkins explains: "Fire suppression systems can make a big difference for the underwriter. The insurance company can and will send out experts to inspect a system prior to writing a policy or denying coverage." Once a policy is written, it is important to keep in mind that the verbiage will reflect that a fire suppression system is installed within the building or business. However, should a business or property owner fail to maintain the system and suffer a loss, it is completely feasible that the insurance company could deny any type of claim.

## **Preparing for annual inspections**

The codes department is not the only annual inspection a property or business owner should anticipate. An insurance company can also perform its own site tours and inspections for coverage renewals. During these inspections, the insurance company representative will make observations and can also put a policyholder on notice for issues. If these problems are not corrected and a loss is suffered, the insurance company holds the full right to deny a claim. This includes failed fire suppression systems that did not do their job and minimize the risk of fire.

Another example: In the Upstate New York area, a destination venue in the Adirondack Mountains had an annual inspection by their insurance company that cited several problems with the equipment within their kitchen. The insurance company directed the policyholder to fix the issues as soon as possible. The policyholder had been put on notice but, instead of complying with the insurance company's requirements, did not replace or repair any of the infractions. Unfortunately, the business suffered a massive fire loss. They submitted their claim to the insurance company and were subsequently denied. The insurance company's position was that the owner had been made aware of infractions and they had not been corrected to prevent the disaster from happening. The insurance company denied the claim citing that the kitchen did not have the proper ovens, vents, or fire prevention system in place.

## **Keeping records proves your case**

Restaurants and smaller commercial kitchens should always have a fire suppression system in place simply based on their line of work and the high risk they have for fire damages. "Good coverage for a restaurant will certainly be reflective of their fire prevention equipment," says Tompkins, "and many insurance companies will require a fire suppression component for a policy to even be considered." Tompkins also emphasizes, "In the foundry industry, these policies are aggressive due to the high risk the insurance company takes on. There will be requirements for fire suppression systems that the company must follow in order to first receive or maintain coverage."

In the event of a loss, the insurance company will require supporting documentation for any precautionary systems that are in place. They will want to see service records and inspection records, and they will likely send in a third-party forensic expert to review the loss and determine if it could have been prevented. Failing to provide records for your fire suppression system or not keeping a regular service schedule can mean disaster for your recovery.

## **The specter of unwanted system discharge**

A common misconception of fire suppression systems is that unwanted discharges are all-too common. But the reality is that regular maintenance of a properly installed fire suppression system significantly decreases the likelihood of an unwanted discharge. Additionally, if you have a good insurance policy and are paying lower premiums because of your fire suppression system, chances are good that you can pull coverage in the event of an unwanted discharge. Should a business lose operating time due to a discharge, utilizing a business interruption policy to break even on those days provides you a peace-of-mind solution to a problem that likely won't even happen if there is diligent inspection and maintenance on a system.

## **A safety requirement that lowers premiums**

Knowing that insurance companies not only require fire suppression systems for certain industries but that a business can also pay lower premiums and have better coverage, it seems like a no-brainer to have a system installed. Yet many businesses continue to believe that it is too costly or that unwanted discharge is a common occurrence. On the other side, there are many businesses that cut corners and hire unskilled professionals without the proper coverages to install their mandated fire suppression system. Trying to save a buck on the front end can become very costly on the back end should a fire occur.

Think about it: spending a few thousand dollars to make sure your business is properly outfitted for fire prevention could guarantee tens to hundreds of thousands of dollars if a loss occurs, putting a business owner in a great position to rebuild and get back to work. Add in business interruption coverage and the owner can continue to support their family while rebuilding their livelihood. Those who choose to avoid installing a fire suppression system or put one in

with only the lowest cost in mind render themselves susceptible to being denied recovery money from their policies. This can leave them destitute and facing even more loss with any civil lawsuits that may emerge from the event.

## **Finding a reputable company to install & maintain your system**

It is important to not only install and maintain a fire suppression system but to make sure you choose the right company to work with. Both Dragonetti and Tompkins agree that hiring a licensed and insured company to install your fire suppression system is best and is more than likely required by your insurance company. When seeking a vendor to install or maintain a system, a business owner should ask:

- Has this company installed systems in businesses with needs similar to mine?
- Are they proposing to install new equipment, compliant with current standards (i.e.: UL300, for kitchen systems), or used, outdated equipment?
- Has this company worked on buildings that are scalable to the property I own?
- Are they fully insured and properly certified or licensed?
- What are the general thoughts of previous clients about the company?
- Are current clients happy with their maintenance services?
- Will the fire code and building department accept their work, or will my approvals be held up?

Make sure to thoroughly research any company you consider hiring; ask for references and contact those people to learn about their experience with the vendor. Look at online reviews; visit their website to see if they offer helpful information to their client base; see if they are mentioned in local publications for any of the work they are involved in.

## **An investment in safety**

Saving dollars on the front end by hiring less-than-qualified installers or cutting corners on components and maintenance work can really come back to bite a business where it hurts—in its bottom line. Instead, always stay on the up-and-up with prevention measures and hire only reputable, licensed professionals to work on your system. Follow the stipulations set by your insurance company and the codes department in your district. By being proactive with fire prevention and containment, businesses can ensure proper recovery if they ever face a loss. That perhaps is the greatest gift of fire suppression systems; if all else fails, your insurance company will see that you tried your very best to protect the mutual investment, and they will be less likely to deny a claim.

Don't let insurance woes drag down your fire recovery with an insurance claim denial. Install a fire suppression system and have it properly maintained and inspected. Keep good records and be able to prove your assertion that every effort was made to limit the risk of fire and the loss of property due to one. Invest smartly and ensure your business will live long and be prosperous.

**Special thanks** to Robert Dragonetti and Daniel Tompkins of Adjusters International/Basloe, Levin and Cuccaro for sharing their insurance experience for the purpose of this article. Experts in property and business interruption insurance claims, AI/BLC is available to assist policyholders with claims from a variety of perils including fire loss. Heeding their advice mentioned in this article can keep your business from needing their services.

# ABOUT US

**ALBANY FIRE EXTINGUISHER** provides the professional installation and service for fire suppression systems that many businesses seek. AFE is a third generation, locally-owned business with a strong presence in the Albany, New York area, having worked with industries including restaurants, retail, higher education and school districts, hotels and destination locations, government entities, the medical industry, and warehouse and manufacturing facilities. Outfitted with all of the equipment necessary for proper installation and maintenance, and expert knowledge of regulation changes, Albany Fire Extinguisher provides exceptional service with proven results.

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