Industrial Oil Cooker Protection
An Insurance Point of View

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Agenda

- Zurich Claims Experience
  - Impact of Business Interruption and associated costs
  - Reaction of Insurers

- Suitable Protection Accepted by Leading Insurers
  - Acceptance Criteria
  - Information required for evaluation/acceptability

- Zurich’s Recent Experience
  - Systems Proposed to Zurich Customers
  - Customer in dispute with installer
  - Beware!
Zurich Claims Experience

• Food manufacturing premises are considered high risk premises by all insurers for several reasons
  – Construction materials
  – Hazardous processes
  – Business Interruption cost potential
• Fires in industrial oil cookers have a history of generating large claims

• Claims are split into Material Damage(MD) and Business Interruption(BI)

• Material Damage includes
  – Buildings
  – Plant
  – Stock
• Business Interruption has huge potential in food manufacturing
Rate of Increase of Zurich Claims
Business Interruption vs. Property Damage

Source Zurich GCiE Portfolio 2005-2012
Zurich Claims Experience
A selection of claims made in Europe since 2006

- England – fryer (unprotected)
  - MD £922,000
  - BI £153,000

- Scotland – fryer (unprotected)
  - MD £7,500,000
  - BI £4,200,000
How have insurers reacted?

- Large losses in Food Industry premises have led insurers to
  - Avoid these types of risks
  - Increase premiums to offset losses
  - Share the risk with other insurers
  - Insist on sprinkler systems to protect building
  - Insist on local application systems on the inception hazard

What options exist for Industrial Oil Cooker protection?

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<th>Disadvantages</th>
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<td>Water Mist</td>
<td>ANSI FM 5560</td>
<td>High Cooling Effect Low Water Consumption</td>
<td>Installation cost</td>
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Suitable Protection Systems

- Zurich’s preference is for water mist on Industrial Oil Cookers
- Primarily due to cooling effect and reduced risk of re-ignition

- These water mist systems must meet insurers expectations/criteria
- It is critical for such specific application systems
FPA RISCAuthority Questionnaire

• An 18 page detailed questionnaire to enable full assessment of the proposed installation

• Developed and used by major insurers to evaluate proposals

• Zurich, Allianz, AXA, RSA, Tokio Marine, HDI Gerling, QBE, Liberty Mutual, Travellers, ACE & Aviva

• ANSI FM 5560 is the recognised benchmark for Industrial Oil Cookers

Water Mist Questionnaire: Local Application Protection

To be completed at the design and proposal stage of suppression system planning

Issued by Zurich Risk Engineering
NFPA 750 and ANSI FM 5560 requirements

- Listed Components – Nozzles, Valves, Pumps, etc.
  - Corrosion tests
  - High & low temperature exposure
  - Strength & functional operation

- Fire Tests - Representative of actual kit to be protected
  - Hood Up/Down
  - 1xL, 2xL, 3xL
  - Scalability

- Water Supply
  - Duration
  - Integrity of power supplies

- Insurers also require extract ducts and filter boxes to be protected
Fully Compliant Solution Required
- Not just nozzles
Test Data Submitted for Review

- Example – 3 x Length Hood Down test result
Acceptance Criteria

- Acceptance of fixed fire protection systems is based upon selecting a system (or equipment) that is:
  Listed, approved, or certified by a recognised testing laboratory (e.g. UL/FM/BRE) for its intended purpose

- Designed, installed, and maintained in accordance with acceptable published codes or standards (e.g. BS/NFPA/EN/FM) addressing the intended purpose

- Designed, installed, and maintained in accordance with manufacturer's literature

- Where a system does not have an appropriate listing or is not covered by an applicable code or standard we have no basis upon which to accept the system.
Zurich’s Recent Experience
Potato crisp manufacturer

• Multiple Industrial Oil Cookers between 6m and 14m long
• 5 Quotations received - all claiming to be in accordance with NFPA 750
• None had suitable test data but claimed system would extinguish
• 2 were based on Kitchen Galley ISO 15371
• 3 were based on IMO cabin tests
Zurich’s Recent Experience
Doughnut Fryer Claim - update

- England – fryer (unprotected)
  - MD £922,000
  - BI £153,000

- Customer placed insurance elsewhere for several years

- 2013 Approached Zurich for cover again
  - Water mist system now installed

- Doughnut Fryer Details
  - Moline 26-10 fryer
  - 7.97m x 1.168m
  - 2360L of oil
Zurich’s Recent Experience
Doughnut Fryer Claim - update

- Fire test data provided by installer for 2008 installation
- IMO/MSC/Circ 913 (fixed water-based local application fire-fighting systems on board ships).
- 25.9L of oil

- Zurich would not insure business due to the inadequate water mist system
Beware!

- Remember the claims with figures in RED?
  - Costs recovered
  - Cost recovery in progress
Thank you

www.zurich.com/riskengineering/uk