



## FIRE STARTER: PREVENTING CATASTROPHE FROM THE OUTSET

The importance of loss prevention has been highlighted by recent worldwide disasters. Such events like the Grenfell Tower fire in London, the Torch Tower fire in Dubai, and the Lacrosse Building situation in Melbourne were all devastating results that could have been avoided, were it not for the use of flawed materials.

**International Events:** The unforeseen consequences and disastrous impact of builders' short-sightedness has recently been exposed through international media. The Grenfell Tower fire in London and the Torch Tower fire in Dubai (second incident in as many years) are both unfortunate examples of the dangers of using Combustible Cladding and Defective Building Materials in construction projects.

Newly installed cladding in the Grenfell Tower has been identified as a possible cause of the fire that has taken as many as 80 victims, if not more. Residents of Dubai's Torch Tower were luckily able to escape in time and avoid harm, but this is the second time since 2015 that the tower has gone up in flames. The common fact with these two situations is that there were no methods implemented to correct the issues with their external cladding. Whether this was caused by unawareness of the defects or the decision not to act on the issues, remains up for debate.

These examples bring humanity back into the forefront and shows the importance of not cutting corners in the building process.

*(For further readings on these events, see the following articles: [Grenfell Tower Fire](#); [Torch Tower Fire](#).)*

**Local Impacts:** Australia is not immune to these situations, as shown in [an article that KBI previously published](#) detailing cladding issues at the Lacrosse high-rise in Melbourne. In this example, the Building Appeals Board decided that the cladding installed on the Lacrosse tower presented a severe fire threat and were ordered to be removed and replaced. This decision could result in a huge \$8.6M bill placed on the apartment owners to avoid the disasters described above in London and Dubai.

The local impacts of these recent events are far-reaching, both in Perth and throughout the country. The WA government in particular have issued an audit of Perth buildings to evaluate their cladding in hopes of preventing a catastrophe like those we've seen world-wide. During the initial investigations by the WA Building Commission, it was found that a Leederville Apartment was constructed using cladding similar to that of the Grenfell Tower, forcing the commission to vastly expand its audit throughout WA to assist in the prevention of similar situations.

*(See [this article from ABC](#) for further information on the local implications)*

**Insurance Repercussions:** These events have had an immediate effect on global insurance markets, as insurers have been put on notice for circumstances that could give rise to similar situations. As detailed in this [article by EC3 Legal](#), a main point of focus for insurers is on combustible cladding. This defective material acts as an accelerant to a flame, increasing the rate and severity in which it spreads across a building, attributing to a heightened chance of a total loss.

Some key implications to watch for in the insurance market are outlined below:

- Tightening of restrictions to cladding materials: Many insurers are limiting the new buildings they will insure to those that are “Loss Prevention Certification” approved, which will most likely result in an overall hardening of the property insurance market – causing a market-wide premium rise.
- Review of insurance exclusions in relation to design flaws: It is likely that insurers will conduct a review of their property products with regards to how they will respond to losses caused by defective materials/combustible cladding. This could have effects on both the current circumstances (buildings included in the abovementioned audits) and future situations (upcoming losses with similar causations).
- Decisions on how policies will respond in the case of non-disclosure: This is related to situations where key persons are responsible for disclosing circumstances that could give rise to a loss. This is specifically related to buildings where a loss could have been prevented during the installation period.
- Requirements on fire prevention techniques: It was reported that at the time of the fire, the Torch Tower in Dubai did not have sprinklers installed. This is a standard loss reduction method included in many Australian buildings, and something that insurers view favourably.
- Implications on Liability policies: If a third party is proven to be negligent in a loss, Liability cover could respond. An example of this has been discovered during the Grenfell disaster: the property managers have been suspected of overlooking fire safety advice during the renovation process. It is alleged that if this advice was adhered to, it would have had far-reaching loss mitigation effects on the tower.

The above situations solidify the importance of using approved/recommended building materials in both the initial construction of buildings, as well as their subsequent renovations. In addition, the use of detailed building inspections, especially those immediately following construction or renovation, are an extremely important risk management method.

This is important information for a Strata Manager, who is exposed to the consequences of these losses and put in charge of balancing the emotional toil, time considerations, and stress levels of their clients. This impact is extensive and cannot necessarily be measured with a figure.

It is clear that the financial and legal implications of these losses are an important concern to Strata Managers, Builders, and Building Owners, but it has been established that the consequences of overlooking dangerous building materials go further than the economic repercussions.

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