

Recommended immediate courses of action involving contamination/corrosion of equipment

If smoke, fire or water contamination and/or damage has occurred, immediate action should be undertaken, preferably in the following order:

1. It is essential to understand that in modern fires, in which a variety of man made materials, in the majority plastics are consumed, a potentially lethal cocktail of chemicals is released. These are not only lethal to living beings, but are potentially aggressive towards most types of equipment, ranging from data processing and communications equipment, electronic control systems, Electro/mechanical componentry, through to production related equipment of all types.

It is surprising what can be successfully reinstated, even if first opinions gained from:

- i The insured*
- ii The service provider*
- iii The supplier*

are unanimous in that the equipment involved is beyond reclamation.

Remember that, in the main, most people rarely get involved with the equipment, which has been affected in this manner. The parties involved are, in this specific respect, relatively inexperienced, and opinions gained from such sources should be treated with a degree of caution. It is also important that sales executives or representatives are discouraged from actively campaigning during the initial assessment period. They have in general, sales budgets to meet. Securing an order for replacement equipment is frequently the primary objective, even though this may well be offered under the guise of professional advice or comment.

Regenisys is continually involved with such events, has the requisite experience, and will to the best of our ability, endeavour to forward an objective and professional viewpoint at all times.

In too many cases, where obvious contamination has occurred, an inordinate period of time is allowed to elapse, prior to calling a decontamination specialist, and requesting that an assessment be carried out. Such delay is a definite negative factor in the achievement of potentially large savings in overall management of a claim, for the following reasons:

- In the majority of cases, chemically induced corrosion, precipitated by fire, soot, smoke, water or a combination of these, progressively attacks componentry, unless specific actions is undertaken in the form of first aid measures, in order to halt or control ongoing corrosion.
- By the time the decontamination specialist commences dealing with the insured and suppliers of equipment affected, there is an extremely high probability that the parties involved have developed a mind set that replacement of equipment is the only course of action which can be accepted by them.

- To alter such mindsets can prove difficult and time consuming. In a significant percentage of cases, no technical impediment exists to the restoration of equipment. Total intransigence on the part of the insured, combined with a determined attitude displayed by the equipment supplier in support of total replacement, means that any attempt to endorse restoration may be fraught with potential problems, in ensuring that an ethical approach to ongoing service reliability is observed by the owner and service supplier.
- In those cases where the decontamination specialist is given the opportunity to visit site, immediately after contamination damage has been incurred, and able to discuss possible courses of action with the insured, it is generally found that professional decontamination and restoration is viewed as a viable course of action, in mitigation of loss, and able to facilitate a speedy return to commercial business operations.
- If a positive attitude is displayed by the insured towards restoration, then, in a high proportion of cases, the equipment supplier will tend to offer co-operation.

In summary, if a pro-active attitude is projected by the loss adjuster, and insurer, toward loss situations where restoration would appear to be a viable means of loss reduction, then in most cases the parties involved will tend to be co-operative.

2. Arranging Transportation of Sensitive Equipment

In general, only transport operators who understand what is required, and possess the required handling equipment and trained staff should undertake transportation of sensitive equipment.

3. Maintaining Manufacturer's Warranty

An important factor, which is all too frequently ignored, is that the majority of equipment affected was not under warranty prior to the event. Despite this salient point, the insured will often insist that he must have a manufacturer's warranty, or a full warranty of functionality from a third party, if equipment is reinstated. Such a third party 'warranty' can be provided in certain circumstances. The insurer may cover the costs incurred in providing such 'warranties'. Alternatively the insurer, who is achieving significant savings, may well choose to underwrite the risk directly.

The normal way of providing this 'warranty' is by means of a machinery breakdown policy, covering all equipment. This is activated if problems are experienced during the agreed 'warranty' period. The risk of this occurring is regarded as low.

If the overall situation is viewed objectively, it can be frequently assessed that reinstatement of a service contract could easily be carried out, if the service provider wished to. It can easily be qualified that the ongoing contract is conditional on the equipment fulfilling availability specifications, after it has been subjected to pre-commissioning tests and repairs, and has been professionally re-commissioned by the service provider. The most frequent barrier to achieving co-operation from the service provider can be presumed to be pressure applied from the sales division. One means of counteracting this

ploy is to make it very plain to the supplier that if new equipment is necessary, then competitors will be asked to tender. The supplier may then recognise the reality of losing the client completely. This may well precipitate a much more reasonable and co-operative approach.

4. Speed of Turnaround

If restoration and reinstatement is chosen as the most efficient and cost effective option, ensure that decontamination and reinstatement work is commenced as soon as possible. It is a basic principle of loss mitigation that the insured should act as if they were uninsured, and that all steps should be taken to reduce exposure to loss.

The foregoing appears to be ignored in a number of cases, with the insured assuming (and often actively encouraged by the equipment suppliers) that the ordering of replacement equipment will occur as a matter of course, with the insurer meeting the expenses incurred.

Not infrequently, it is found that decisions are often very slow in forthcoming, with weeks or even months passing, prior to a claim being accepted or delays occurring for other reasons. During this period, unless specific conservation measures have been put in place, the overall condition of the equipment will inevitably deteriorate. This has the minimum effect of increasing reinstatement costs. In a number of cases where contamination is more severe, the equipment will deteriorate beyond that point where successful decontamination and reinstatement is possible.

5. Cost Savings Percentage Rates

A specific means of performance measurement, which can be utilised, is that of savings ratios.

As every job is to some degree, different, there are no set ratio values, which can act as averages.

To put the matter in as simplistic a form as possible, the following may place percentage savings in perspective:

- a) The larger the job, the higher will be the savings ratio achieved. In jobs over \$500,000.00 in reinstatement costs, the savings achieved are likely to be between 70% and 90%. These figures relate to equipment replacement values alone. If other factors such as business interruption, loss of profits, increased cost of working, penalties accruing from non-performance or non-delivery goods, are taken into account, then the savings ratios may well be further improved, sometimes dramatically.

In jobs of, say around \$50,000.00 in value savings of 50% to 80% are still possible, depending on the prevailing circumstances.

In general, decontamination and reinstatement can be carried out much faster than delivery of new equipment which is not of the 'off the shelf' variety.

- b) Replacement equipment is not only relatively expensive, but can often carry additional unrecognised costs. Such costs can be easily overlooked during the initial phases of loss evaluation.

- c) New equipment, due to the increasing pace of development, is in general at least one generation removed from the equipment, which has been damaged. This means that considerable upgrading of peripheral equipment may be required in order to achieve functional compatibility with new equipment delivered.

In many cases, the existing software systems must also be upgraded or replaced, due to incompatibility with replacement hardware.

The ordering of replacement equipment, in some cases, can become the first stage in a process similar to the signing of a blank cheque.

- d) In the case of reinstatement, ceiling prices for the total exercise can in general be relatively clearly established.

Existing peripherals and software can be utilised. In cases where software has been physically destroyed this should be re-established by the software supplier at little or no cost, without incurring new software licence obligations.

No 'debugging' of new systems, nor retraining of staff, or other hidden costs, are normally encountered.

6. 'Bottom' Limits on Restoration Values

In general, we can look at this from two distinct viewpoints.

If the decontamination workshop is physically close to the job, then positive savings can be achieved down to levels below \$5,000.00.

If this is not so, then bottom limits can vary tremendously, dependent on transportation prices, and other critical factors. Such situations must be assessed on a case by case basis.

In some situations, other factors are of more importance than equipment prices per se. In all cases, the loss adjuster should keep an open mind, and examine all avenues of cost reduction. There are instances where rapid reinstatement, even at prices higher than replacement, can produce major savings, through overall mitigation.

7. Contamination of Building Envelope & Services

It is common for rooms, groups of rooms, floors, entire buildings, complete with services, to be contaminated by a fire event. Such contamination must be professionally removed, in parallel with decontamination of equipment. Unless the premises are certified free of contamination, it is only a matter of time before re-contamination of replacement or reinstated equipment occurs.

REMEMBER NO JOB IS TOO BIG OR TOO SMALL AND SUCCESS CAN BE SOLELY JUDGED BY THE ECONOMIC BENEFITS ACHIEVED ON COMPLETION.