

Explosion at a munitions factory

A specialist explosives manufacturer experienced a large explosion in the curing ovens where explosive flares were cured. Regrettably there was a fatality and the Health and Safety Executive (HSE) undertook an investigation, immediately closing the complete site.

Lorega Expert

#After the Event

#Fire

#Measure of Indemnity

A short while later, they allowed the main site to reopen but retained the closure notice on the flare building during their prolonged investigations which lasted well over a year.

The insurer's view was that the complete closure during the HSE investigation was not a direct consequence of the explosion but the result of a new and intervening cause, namely the action of the HSE in closing the site due to the fatality.

As such, they stated that the measure of indemnity for the business interruption indemnity period was the period from when the HSE finally released the flare building until the pre loss position was reached. Insurers calculated the overall claim at £10 million.

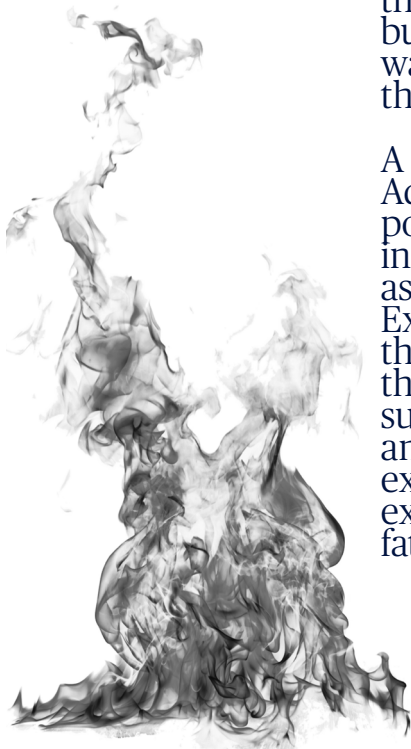
A Lorega Chartered Loss Adjuster was retained by the policyholder and questioned the insurer's approach, disputing it as being incorrect. The Lorega Expert was able to demonstrate that it was normal practice for the HSE to automatically close such an explosives facility for an investigation following any explosion no matter how small the explosion and even if there are no fatalities or injuries.

The Lorega Expert proved that the proximate cause of the complete period of closure was a direct result of the explosion. It followed that the HSE involvement was part of this and not a new and intervening cause. This was subsequently confirmed by legal opinion.

As a result, the insurer had to concede that the correct measure of indemnity for the business interruption claim was the losses during the complete period of closure. The Lorega Expert calculated the loss as being in the region of £27 million, which was agreed as the correct indemnity for the policyholder.

"The experience and expertise that Angus and his team provided to us were invaluable in ensuring we were fully compensated for our loss."

Director, Explosives factory.



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