

INNOVATIVE RISK MANAGEMENT, INC.

Welcome to the first issue of Innovative Risk Management's newsletter. This newsletter will be focused on you, the warehouse building owner or property manager. It will contain articles to help you understand and manage your risk. It will also contain tips and checklists to help you lower your costs of operation by reducing your exposure to loss. This first issue focuses primarily on the property risks at your warehouse building. And designed to give you insight into how to control your risk from this type of exposure.

PORTABLE FIRE EXTINGUISHERS

Introduction

Portable fire extinguishers represent the first line of defense against fire discovered in its initial stages. By having extinguishers in good working order, of a proper type for the class of fire, and in the hands of persons trained in their use, it is possible to control the vast majority of those fires that are just beginning. Nonetheless, the fire department should be notified immediately upon the discovery of any fire. Only then should the decision be made as to whether or not employees should fight the fire themselves.

In the evaluation of your portable fire extinguisher protection, each of the following areas should be addressed:

- 1) Type of extinguishers (proper class for hazard).
- 2) Distribution (adequate number of units).
- 3) Installation (properly mounted, easily seen, and accessible).
- 4) Maintenance (inspection program, servicing, tagging).
- 5) Training of personnel in the use of the equipment.

Classes of Fires

There are four major classes of fires.

Class A Ordinary combustible materials (wood, paper, cloth, rubber, and most plastics).

Class B Flammable-combustible liquids, gases and greases.

Class C Energized electrical equipment.

Class D Combustible metals (magnesium, sodium, titanium, etc.).

Classification and Rating of Extinguishers

It would follow that fire extinguishers are given the same classification as the type of fire for which the extinguisher is to be utilized. The classification consists of a *letter* that indicates the class of fire on which an extinguisher has been found to be effective, preceded by a rating *number* that indicates the relative extinguishing effectiveness.

For example, a 4-A extinguisher should extinguish approximately twice as much ordinary combustible material as a 2-A extinguisher. The higher the numeral preceding the class marking, the more extinguishing agent that is available to fight the fire.

Selection of Extinguishers

The first thing to consider is the type of material to be extinguished. Extinguishers for protecting against Class A hazard should be selected from among the following: pressurized water, foam, loaded stream, or multipurpose dry chemical.

Extinguishers for protection against Class B and C hazards should be selected from: carbon dioxide, halogenated agents, dry chemical or dry powder.

Extinguishers and extinguishing agents for protection of Class D hazards should be of the types approved for use on the specific combustible metal being extinguished. Some of the more common extinguishing agents for Class D fires would include "Payee G-1" powder (fyr-fyter) or MET L-X powder (Ansul).

The National Fire Protection Association Standards and Codes (NFPA 10) should be consulted for descriptions and suitability of the extinguishing agents for the specific combustible metal encountered. Your IRM Representative or local fire department may be of assistance.

Hazard Classification

Light Hazard - Where the amount of combustibles or flammable liquids present is such that fires of small size may be expected. Examples are offices, schools, churches, and places of assembly.

Ordinary Hazards - Where the amount of combustibles or flammable liquids present is such that fires of moderate size may be expected. These might include mercantile storage and display areas, automobile showrooms, service stations, parking garages, light manufacturing occupancies, warehouses not classified as extra hazardous, school shops, etc.

Extra Hazard - Where the amount of combustibles or flammable liquids present is such that fires of severe magnitude may be expected. Occupancies such as woodworking shops, auto repair shops, warehouses with high-piled stock of combustible materials and with processes such as flammable-liquid handling.

Installation

The location of extinguishers should be marked and readily accessible at all times. For extinguishers having a gross weight of 40 pounds or less, the distance from the floor to the top of the extinguishers should not exceed five feet. For extinguishers having a gross weight of more than 40 pounds, this distance should not exceed 3.5 feet.

Proper spacing and placement recommendations are contained within the NFPA standard number 10.

Maintenance

Fire extinguishers should be inspected annually, at a minimum, by a qualified fire extinguisher contractor. Also, you should be performing self-inspections on a monthly basis.

NFPA 10 should be consulted for specific maintenance requirements for various types of extinguishers. Extinguishers should also be hydrostatically tested if there is any evidence of corrosion or damage. Qualified fire extinguisher contractors follow NFPA 10 as a standard guideline

PROPERTY CONSERVATION

Automatic Sprinkler Systems

A very important part of your private fire protection is the automatic sprinkler system. This system offers two major advantages. First, the automatic sprinkler system provides 24-hour fire protection for your facility. Secondly, the automatic sprinkler system, if

properly maintained and rated, can provide a reduction in property insurance costs.

To protect your investment, your automatic sprinkler system must be properly maintained and tested for reliability. This includes following appropriate maintenance intervals, alarm testing, two-inch drain testing, and testing to insure that the automatic sprinkler system is not inoperable. Failure to document maintenance and testing could affect your automatic sprinkler system rates and even void coverage.

For your convenience, guidelines are included herein that address recommended practices for the inspection, testing, and maintenance of sprinkler systems. Inspections, testing, and maintenance should be performed by a competent outside sprinkler contractor. However, there are certain aspects of self-inspection and some testing that can be performed by a qualified person on your own staff.

Additionally, the following suggestions are offered:

- 1) Document central station alarm testing (date, time, name of central station representative).
- 2) If you have a central station supervised system, when testing, a two-inch drain test should be performed and documented after each central station test. The central station inspector's test and the two-inch drain test are conducted virtually at the same time, but are two separate tests. A sheet for documenting this testing follows at the end of this article.
- 3) Perform and document the two-inch drain testing after the sprinkler system is restored following any repairs and/or modifications.
- 4) To assure valve security, all control/gate valves should be chained and locked in the open position.

Any time a sprinkler system is out of service, this is defined as an **impairment**. Should your system become impaired for any reason (such as for emergency repairs or modifications), you may be required to notify one or more of the following organizations:

- Your local fire department
- Your fire alarm company
- Your insurance agent and/or insurance company
- (ISO) Insurance Service Office, Inc.

Your IRM Loss Control Representative can assist you in setting up the correct notification procedure. It is recommended that any automatic sprinkler system emergency repairs or modifications be performed by a qualified insured sprinkler contractor. Remember, proper testing, care and maintenance of your automatic sprinkler system assures reliability of the system and helps to protect your sprinkler rates.

National Fire Protection Association

The following testing and maintenance requirements will provide you with an overview of those areas of your system that should be tested and maintained by your automatic sprinkler contractor and your maintenance staff. Keep all records of tests and maintenance on file. A sign near the system-control valve, indicating where records are kept, is advisable.

Inspecting, Testing, and Maintenance References

Three texts are recommended for sprinkler system maintenance employees. They are available from:

National Fire Protection Association
Batterymarch Park
Quincy, MA 02269
800/344-3555 (Publications Department)

1. Fire Protection Systems
Inspecting, Test and Maintenance Manual
Catalog No. SSP-83
2. Standard for the Installation of Sprinkler
Systems NFPA 13
3. Recommended Practices for the Inspection,
Testing, and Maintenance of Sprinkler
Systems, NFPA 13A

Your IRM Loss Control Representative can review these texts with you.



PREMISES LIABILITY *How You Can Avoid It*

Premises liability - your liability for accidents that occur on your premises is keyed to four basic factors. Although different states have different requirements, the four basic elements are shown below:

- 1) Actual or constructive knowledge of some hazardous condition on the premises by the owner/operator.
- 2) The condition must pose an unreasonable risk of harm.
- 3) The owner/operator does not exercise reasonable care to reduce or eliminate the risk.
- 4) The owner/operators failure to exercise reasonable care was the proximate cause of the accident.

First and foremost, you must have actual knowledge or constructive knowledge of some hazardous condition on your premises. This means that you knew or, in the exercise of ordinary care, should have known of the unsafe condition. Constructive knowledge can be proven if someone in your employ is notified of the dangerous condition, even if they fail to report it. However, if you have neither actual or constructive notice, the injured party cannot meet their burden of proof.

In a recent case, the Texas Supreme Court rendered that in a premises liability case, the existence of actual or constructive knowledge of a premises defect is a threshold requirement. An owner/operator does not owe a duty to correct a defect which it is not and should not be aware.

Secondly, the condition must pose an unreasonable risk of harm. In other words, the condition is dangerous and represents a potential for injury.

The third element requires that you exercise reasonable care to reduce or eliminate the exposure. This does not mean that you can absolutely eliminate the risk in every occasion. There may be instances where the owner/operator can only reduce or manage the exposure for some period of time. For instance, if an ice storm causes buildup of ice in parking lots and sidewalks, the owner/operator may put out salt or gravel and also warn invitees of the dangerous condition with signs. If these steps are accomplished on a timely basis, the owner/operator likely has met his legal burden although the condition is still present and still dangerous.

This element also does not mean that you must take whatever steps are available to you regardless of the cost. The duty you owe to your invitees is that of ordinary care. In other words, the degree of care that is ordinary given the set of circumstances that are encountered. Usually, ordinary care is the degree of care that others in the same or similar circumstances

would exhibit. In this regard, it is generally a good idea to stay abreast of the steps that your neighbors and peers are taking. For instance, if the other warehouse operations in your area have security guards after dark, it is likely that ordinary care will dictate that you have them also.

The final element conditions your liability in that the injury must have resulted primarily from the failure of the owner/operator to exercise ordinary care. Your negligence must have been the proximate or immediate cause of the loss.

YOUR LIABILITY FOR CUSTOMERS GOODS ...

Are you covered?

Most insurance policies do not provide coverage for your liability for damages to customers property. In the case of owner/operators of Mini-Warehouse facilities, some specialty programs offer this coverage to you as an optional coverage. This coverage protects you from damages which you become legally obligated to pay because of property damage to customer's property.

In spite of your rental contract, tenants will almost always look to your business for responsibility for property losses that occur while their goods are on your premises. In most suits, the tenant turned plaintiff will allege that the goods were in your care, custody and control and that you are responsible.

Under this coverage the insurance carrier will provide you a legal defense for these type allegations. In addition, if you are proven legally liable, indemnity benefits would be payable.

Certain exclusions and limitations apply to this specialized coverage so consult with your agent for details. However, this is an important coverage that most insurance programs do not offer. IRM specializes in your industry and this custom coverage enhancement is demonstrative of our commitment to provide you with the products that are designed to meet your specific needs.

FORECLOSURE

Your Liability for the Sale and Disposal of Customers Goods

In the warehouse and storage industry it sometimes becomes necessary to exercise your lien rights against a customer who has defaulted in his payment obligation to you. Many times your recovery is enabled by: 1) locking out the tenant's access to their unit 2) seizure and sale of the tenants property. Due to the sensitive nature of this procedure, you should always consult with your local counsel or state association for procedures to follow in seizing property or evicting tenants. In most states the state Property Code dictates the legal obligations of landlords in a property seizure. Your state association will normally publish guidelines to follow in the exercise of your rights of foreclose.

Your rental contract should be drafted to conform with the state property laws. If your contract does not follow the state statutes, the state laws will always overrule what you have in your contract. Periodically, you should have your contract reviewed by counsel or use the state associations approved form.

Some Specialty Mini-Warehouse Programs may offer you coverage to protect you from damages which you become legally obligated to pay for negligent acts arising from the sale, removal or disposition of a customer's property or lock-out of the customer's spaces. This coverage is entitled Sale and Disposal - Legal Liability. This coverage is an option that can be selected as an additional feature to enhance your coverage. It protects you from damages that result from these type actions taken against tenants.

Your foreclosure procedures should always follow the terms and conditions of your contract and all state property laws. However, in the event you are sued, it is nice to know you have your insurance company ready and able to provide you defense and indemnity benefits to protect you. Check with your insurance agent to determine if the additional coverages outlined in this article are included in your current policy and if not are they available as endorsements to enhance your current coverage.