

CONSIDERING DEMOLITION RISKS

Some scrap recycling companies offer demolition and dismantling services, while others may be considering that line of business. Demolition work has its own set of risks these companies must consider. Each demolition project and job site is unique. Even with thorough planning, demolition projects often bring unforeseen challenges.

The RecycleGuard program recently processed claims for three large losses tied to demolition operations. In two cases, severe fires occurred hours after hot work was completed, damaging buildings worth over \$1 million each. In the third incident, the insured scrap company was not at fault in the claim, but it had signed agreements obligating it to name the primary demolition contractor as an additional insured on its policies and pay that contractor's defense costs. Those agreements left it with a loss of more than \$2.2 million. To reduce demolition work risk, be mindful about contract terms, hot work, and site safety.

CONTRACTS

Before taking on a demolition job, understand the scope of the job and all the activities and challenges it might entail. Create a detailed contract outlining the scope of work, how you will go about it, and limitations you might face should particular challenges arise after you start the job. Also specify what the job does not include. With a detailed and agreed-upon engagement letter as part of your contract, disputes either during or after the job are less likely.

If you are assuming liability as a contractor or subcontractor, be sure you fully understand those liabilities, and limit your liability as much as possible. Consider having your attorney review demolition agreements and negotiate the contractual risk transfer provisions as aggressively as possible.

HOT WORK

Hot work is a common cause of demolition-related losses. According to the National Fire Protection Association, structure fires started by hot work cause an average of 15 deaths and \$355 million of direct property losses each year. Fires caused by hot work are 100% preventable. They result from ignition sources coming into contact with combustible or flammable materials. The best way to prevent hot-work fires is to seek alternative, "cold work" methods for achieving the goal: hydraulic

shear cutting or reciprocal saw cutting as opposed to torchcutting, for example.

When cold-work methods are not feasible, use a hot work management program that details who can conduct and manage hot work and how you will control the work, from preparation to the job itself and post-work fire monitoring. Also use hot work permits. According to FM Global's (Johnston, R.I.) Global Property Loss Prevention Data Sheet on hot work management, the goals of a hot work permit are to identify and remove combustible, ignitable, or flammable materials from the hot work area prior to work; verify fire protection systems are in service prior to work; restrict combustible or flammable materials from entering the hot work area during and after work; verify hot work ignition sources remain within the defined hot work area during work; and supervise the hot work area for fire-safe conditions during and after work.

Ensure a minimum clearance from combustible or flammable material of at least 35 feet, or 50 feet if working at height or exposed to wind. Vertical clearance should be at least 35 feet. Have a continuous fire watch for a minimum of one hour after the work is complete and a fire monitor who checks on the site at least every 15 minutes for a minimum of three hours.

SITE CONTROL

When your company is working off-site and controlling the job site, it's responsible for the safety of workers, visitors, and any type of invitee on-site. Demolition work creates potential safety hazards to those in the area, and it could create an attractive nuisance for curious children. Fence the job to prevent unauthorized access, and post highly visible signage noting the danger and the need to stay out. Circumstances, agreements, and laws vary, so consult your legal counsel, insurance broker, risk manager, or insurance carrier to best position your business for success in demolition work.

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