When a $300 Million Fire Revealed the Hidden Cost of Underinsurance

KROLL

The Challenge

Following a devastating fire at one of its key manufacturing facilities, a leading global electronics company faced the harsh reality of a major loss. The fire caused extensive damage to both the main production building and high-value equipment, with losses estimated at over USD 300 million. As the claims process began, the client, who had engaged Kroll on other sites in the past and knew their capabilities, requested we conduct a comprehensive post-loss insurance valuation to verify the adequacy of their declared sums insured and assess their exposure to potential underinsurance. With no prior experience of that site or baseline data, Kroll was tasked with establishing the complete reinstatement value of all assets from the ground up, all while the pressure of an active insurance claim mounted.

Kroll's Solution

Acting on the insured's instructions, Kroll's Fixed Asset Advisory Services Team mobilised quickly, deploying a full valuation team on site to conduct a detailed inspection of all buildings, plant and machinery across the facility. Our specialists catalogued every piece of production equipment, capturing critical details including make, model and capacity data for each asset. We then conducted an independent replacement cost analysis for all machinery and supporting systems, ensuring accuracy and defensibility. Concurrently, our team developed a building-by-building valuation that incorporated detailed assessments of size, construction type and finish levels. Throughout the process, Kroll collaborated closely with the insured's risk team and the broker's claims representatives to ensure complete transparency and alignment during the claims review. The resulting valuation established accurate reinstatement values for both buildings and plant and machinery, providing a credible, insurer-accepted benchmark for the loss settlement.

The Impact

Kroll's valuation revealed a critical finding that would prove costly for the client. While the declared sums insured for plant and machinery were broadly accurate - resulting in a claim payment at 100% that aligned closely with Kroll's valuation - the building values were significantly understated. As a result, the average clause was applied to the buildings portion of the claim, reducing the insurance payout and costing the client many millions of dollars in unrecoverable losses. This outcome underscored the vital importance of maintaining accurate, independently verified valuations before a claim occurs. While a relationship between the insured, their broker, the insurance market, and Kroll was already in place, this engagement significantly deepened that partnership. It reinforced trust and ensured continued collaboration around pre-loss valuation support, helping to further reduce the risk of similar exposures across the client's global facilities.