




Jerry Faulring

Fire at Waverly Farm... and what you need to know!

Photo taken about 30 minutes after
the fire was discovered; 12:15 p.m.
November 29, 2017

A large, long, white metal building with a green roof is on fire. Thick, black smoke billows from the roof, rising high into the sky. The building has a green door on the right side. In the foreground, there is a large, silver, horizontal propane tank and a wooden pallet loaded with bags of material. The ground is gravel. In the background, there are some trees and a clear blue sky.

On November 29, 2017 staff called to alert me to a fire in our Morton Building that contained about 90% of our equipment. Within five minutes I called 911. The first response truck arrived about 10 minutes later; it's now about 12:15 p.m. At 1:15 p.m. the fire was declared over. The total loss was \$165,000 for a 195-foot-long by 60-foot-wide 13 year old Morton Building, about \$1,000,000 in major nursery equipment, and about \$200,000 worth of miscellaneous small equipment, tools, and supplies; all in about one hour.

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Just about over at 12:30 p.m.

We all subconsciously have the concept of fire tucked away in the back of our minds...until it happens



Equipment salvage vendor was thrilled at how everything was burned off the machines – easy salvage

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These photos taken during the fire are courtesy of Steve Black. He saw the smoke and came over thinking it would be a good day for hot dogs and marshmallows.

There are many lessons to be learned. We all subconsciously have the concept of fire tucked away in the back of our minds... until it happens. Absolutely no one expects a disaster to happen. We dutifully renew our insurance every year because we don't want to be the stupid person that has a major loss without a mechanism to sustain our future. Going forward I will always think of insurance in a more respectful way.

Insurance.

Most policies will contain five components of coverage that should be reviewed in detail annually:

1. Loss of a structure. The insurance company takes responsibility, unless one intervenes, to establish the value of a building. Periodically they employ a computerized calculator that inputs zip code, labor rates and construction material costs to determine the replacement cost of a building. You have probably all noted this on a homeowner's policy. In our case, we had a typical Morton Building of wood construction clad in steel. I could have a nearly identical replacement structure built by various companies at variable cost. I can't expect the insurance company to know exactly what Morton would charge for an identical building in 2018. As a result, the replacement cost calculated our building to cost

Deodar cedar, *Cedrus deodara*

21% less than actual cost. I could have been fully covered if I had periodically asked Morton to provide that estimate. I would then have been able to specify the insured value. My premium for 'replacement cost' was only \$572. For just a small increase in premium I could have recovered the full value of replacement. As a result of the fire I determined that our second Morton structure was only insured for about half its replacement cost – that's been fixed!

2. Major equipment. This includes the more expensive items such as tractors, skid steer loaders, sprayers, planting machines, tillage equipment, etc. Your policy should have these items listed individually with make, model, serial number, purchase price, and year of manufacture. If a disaster occurs, each machine will be documented by a salvage expert to determine if repair is possible or if the item is a total loss. It is the policy holder's responsibility to keep this list up to date annually with a view toward precision. In our case, we had this list although some less important/expensive items were not listed. All of us probably buy an item for a few thousand dollars from time to time and forget to list it on the policy. (These items may be covered – explained later.) Our loss for these lower cost items was not significant but I could have done a better job and realized increased reimbursement. The premium for \$1,369,875.00 worth of major equipment (it was not all in the lost structure) plus 'supplies',

Late afternoon. The metal roof settled slowly and covered everything like a blanket.



item # 4 below, was \$823.00. I could have been a bit better covered for not much additional premium.

3. Contents. This includes all the miscellaneous items such as hand tools, string trimmers, gas cans, and all the various items we use in the business but do not need to be listed separately. Our 'contents' coverage was fairly adequate but not complete. Again, an annual look at all the 'stuff' you own should be analyzed. It adds up quickly. I could have adjusted the 'contents' coverage to be more complete. Many items burned so completely in the fire as to be unrecognizable or forgotten. The Waverly policy going forward will be to photograph everything we own annually in pretty good detail. To avoid a mistake, insure your contents for a high point in the year. Our annual premium cost for this list was only \$76.00. For a few dollars more we would have been better protected.

4. Supplies. These insured items include things we store in the building such as burlap, tree stakes, pots, etc. This worked out in a reasonable manner for us related to reimbursement but not because I maintained a detailed inventory list.
5. Demolition. Our policy paid us \$6,400 to implement the demolition effort. So far, we recouped \$5,000 in recycling income for a combined revenue source of \$11,400 which was adequate for labor and vendor expenses.

Other useful information.

1. Of more than forty pieces of equipment lost in the fire, we were able to find partial serial numbers on only two. I am not sure how to resolve this especially when some items like tractors were identical except for age. A well documented list with photos is the best solution. Unless you have made many frivolous claims in the

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past, the insurance company will be inclined to believe you. The insurance company will do a meticulous job of matching machine age, model, and serial numbers. Your insured equipment list must also be meticulously correct to avoid confusion. Further, your balance sheet asset list should be posted with the same detail.

2. Unless you pay an increased premium, equipment will be paid for at actual appraised value. In our case we had a mix of almost new items and some that were 20 years old. On average we recouped 77% of the purchase price. We all buy equipment that was a great idea at the time but did not work out to be useful. Given we did not replace everything, proceeds allowed us to replace everything we actually needed for cash.
3. Managing the disaster was an awesome task. There are many people involved. First a fire investigator will visit to

determine point of source for the fire and rule out any foul play or negligence. This will include interviews with staff and signed statements. The process is then handed off to an insurance company claim representative who manages the whole process including making payments. Next a 'heavy equipment salvage expert' spent a day documenting everything with hundreds of photos while crawling through the rubble. We did have trouble identifying specific items. His job is to determine if repair is possible. Everything in the fire was considered a total loss. He then documents everything on paper and hands it off to an appraisal firm. They then scour the internet and place value on equipment based on recent used equipment sales. We had a lot of European equipment which was difficult to appraise so they relied on our suppliers for value.

4. I recommend one does not put

all their "eggs in one basket"; or in this case one building. Our response is to build two structures separated by 50 feet. Redundant equipment will be stored separately.

While cash reimbursement is important, you can not imagine the time I spent to manage the entire process. The first 30 days consumed nearly all my time with documentation and communication. Imagine having to replace 90% of your equipment and a new building in a timely fashion so as to keep the business functional. The fire could not have occurred at a more ideal time. If it happened during the middle of shipping season...I don't have a contingency plan for that. It will probably be mid-summer before my role is complete. However, who doesn't like to shop for new stuff? I love John Deere and my dealer. Both the dealer and manufacturer have been incredibly supportive. The dealer helped me in documenting equipment lost and really stepped up to source

tractors I wanted from other dealer inventories which is usually not easy.

I received many calls from industry members to help in any way they could, including lending equipment. Given the timing of the fire we were in gradual shut down mode and enough equipment survived to finish our season. However, I am very grateful for all the support and encouragement received from so many wonderful colleagues. I don't know the best way to choose an insurance agent and insurance company to know they will be there for you when disaster strikes. We usually rely on referral, a friend or maybe even a relative. In our case the choice was excellent. There were some frustrations along the way but overall, I have to say we were treated very well.

The actual fire service effort turned out to be practice because

by the time they arrived it was too late. There were 50 fire fighters and about 15 pieces of equipment from four different companies. They laid out over one mile of hose from two hydrants – I noted it appeared the rookies had to roll it up. They set up a portable pond (an above ground item they brought with them) to transfer water from a low-pressure hydrant to be pumped to the fire. It was actually impressive how fast they got set up with all the equipment.

Everyone wants to know how the fire started. Timing was perfect for us to know where the fire started but at this writing we still don't know why. A small diesel unit was seen on fire by staff as they came in from the field for lunch. At this time, the insurance company plans to conduct a forensic deconstruction of the item witnessed by the machine and engine manufacturers. The machine had not been used for five days and

ignited on its own.

We sent 53 tons of steel to the Reliable Recycling Center in Frederick. They brought dumpsters we loaded with a track hoe. We still have about 12 tons of salvage to send off but I am scavenging parts as time permits. The recycling staff was amazing in every possible way. We also sent two 40-yard dumpsters to the landfill.

In summary, none of us, in a small business setting, wants to take the time to be perfectly prepared for a disaster. I can tell you such thinking is very wrong. I absolutely do not plan for this to happen again, but my preparation and documentation will be perfect as we move forward. 🌱

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