

Case Study

Fire at Luxury Boutique Hotel in Edinburgh

Thompson & Bryan were recommended by a broker to their client, an international hotel and leisure company, following a major fire to one of their hotels in August 2017.

The hotel was a listed building and based in Edinburgh's New Town, a UNESCO World Heritage site. It comprised two separate, five storey buildings within a Georgian terrace. This separation proved to be critical as the fire was limited to only one of the buildings which contained approximately 50% of the rooms, as well as a large ground floor restaurant and bar, with an adjoining commercial kitchen.

Urgent action was needed to manage a volatile situation in which half of the current and 'shortly-due-to-arrive' guests had to be found alternative hotel accommodation, while suitable temporary cooking facilities needed to be sourced in order to continue to offer

guests of the undamaged hotel building drinks, breakfast and other meals.

The fire itself started on the roof and the fire brigade responded by directing their pumps at this area. Unfortunately, as the roof was severely damaged by the fire, this resulted in thousands of litres of water finding its way into the building causing substantial damage to all rooms and floors of the building.

Given the extensive damage to the building and the necessary compliance with both local and national regulatory requirements, guidance was provided to the insured so that a local surveying practice with extensive knowledge and experience of such buildings and the associated regulatory bodies could be engaged quickly to assist with the stripping out, drying and eventual reinstatement of the damaged building - all under Thompson &



Image 1. Hotel and restaurant in Georgian terrace. Scaffold erected for roof repairs

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Bryan's day-to-day review and in consultation with the hotel's insurers.

As befitting a boutique hotel of considerable reputation, the internal decorations, furniture and other contents items in each room, common parts and restaurant of the damaged building were of a particularly high standard. After some lengthy debate with the hotel's insurers, Thompson & Bryan were able to successfully negotiate the appointment of a local interior design practice to assist in the assessment, repair, refurbishment and replacement of all such affected items and finishes.

In the meantime, the unaffected building forming the other part of the hotel was able to continue welcoming guests and extensive use of the Business Interruption cover's Increased Costs of Working provision was made in order to ensure that the inconvenience to guests was minimised as much as possible.

Using Thompson & Bryan's experience of similar situations, an extensive advertising and marketing campaign was also devised to boost interest in the reopening of both the hotel and restaurant, including the appointment of a professional PR company, radio advertising and extensive press coverage.

With this in place, and despite the extensive damage suffered, the damaged part of the hotel and restaurant were able to successfully reopen in May 2018, in time for the summer season.

Nevertheless, there was no escaping the fact that the restaurant and 50 per cent of the hotel's rooms had been out of action for several months, during which time competitors had benefitted from the hotel's reduced capacity and the hotel's popularity rating on various online review and booking platforms had inevitably declined.

Accordingly, Thompson & Bryan undertook detailed financial analysis in order to accurately forecast the loss of gross profit



Image 2. Fire damage to the roof



Image 3. Internal water damage to bespoke fixtures and fittings

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Image 4. Re-opening day

allowing for trends in the business, recovery period / length of the indemnity period and all relevant savings to the business as part of the partial closure.

With foresight, the hotel's broker had wisely arranged a 24-month indemnity period for the business, and this was critical to ensuring that a "cliff-edge" was not reached whereby losses continued after the expiry of the indemnity period. Instead, detailed discussions and debate ensued with the insurers as to the "true" extent of the loss and, ultimately, a settlement that was acceptable to all parties without rancour was finally negotiated to conclude the claim.

*Thompson & Bryan (UK) Limited
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