



The Cincinnati Insurance Company ■ The Cincinnati Indemnity Company
The Cincinnati Casualty Company ■ The Cincinnati Specialty Underwriters Insurance Company
The Cincinnati Life Insurance Company

Jeff Grove CPCU
Asst. V.P./ Manager
Machinery & Equipment Specialties

October 31, 2014

Mr. Paul Bargren
Milwaukee County Courthouse
901 North 9th Street, Room 303
Milwaukee, WI 53233

Re:	Insured:	Milwaukee County
	Date of Loss:	7/6/13
	Type of Loss:	Fire
	Loss Location:	Milwaukee County Courthouse
	Policy No.:	BEP2666346
	Claim No.:	2029080

Dear Mr. Bargren:

We have received reports of findings from our technical consultant, Rimkus Consulting Group, Inc.

Rimkus concluded that on July 6, 2013, a fire and explosion occurred at the Milwaukee County Courthouse located at 901 North 9th Street in Milwaukee, Wisconsin. The incident occurred in Bay 13 at the "B" phase capacitor of the three phase main electrical switchgear located in the basement of the courthouse complex, then extended into the remaining bays of the electrical distribution center. More specifically, Rimkus found that a fire and explosion occurred within the B-phase capacitor in Bay 13 of the switchgear. The electrical failure of the B-phase capacitor generated heat and caused a rapid buildup of pressure to develop inside the capacitor. This caused the metal enclosure of the capacitor to violently rupture at the bottom. When the capacitor ruptured, the combustible Wemcol fluid was expelled and ignited as a result of the electrical event within the capacitor. The smoke and products of combustion from the fire rose and collected near the top of Bay 13.

After the B-phase capacitor failure, a three phase arcing event occurred between the aluminum bus bars located at the top of Bay 13. The three phase arcing event most likely occurred when the smoke and products of combustion from the fire formed a sufficient conductive path for an electrical arc to form between the 13.2 kV aluminum bus bars. It was also possible that sufficient explosive force was developed when the capacitor failed creating a failure within the bus bars.

In sum, Rimkus found that the incident was the result of a failure within the “B” phase capacitor that resulted in an explosion and fire that then spread to the remaining components of the system.

The 14 volt DC battery system that was designed to supply power to the courthouse’s main circuit breaker trip mechanism lacked the electrical potential necessary to open the circuit breaker at the time of the incident. The inability of the main circuit breaker to trip allowed the electrical arcing event to continue for several minutes, lasting until the utility company’s recloser locked out and de-energized the courthouse switchgear.

It is the position of Cincinnati Insurance Company (CIC) that the subject loss and damage is not covered by the CIC Machinery & Equipment Policy.

The Policy provides as follows:

B. EXCLUSIONS

We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded whether or not the loss or damage was caused by or resulted from an “accident.”

7. An explosion. However, we will pay for direct loss or damage caused by an explosion of an “object” of a kind specified in **a.** through **g.** below, if covered by this insurance and described on an Object Definitions endorsement that is a part of this policy, and is not otherwise excluded in this Section **B.**

- a. Steam boiler
 - b. Electrical steam generator;
 - c. Steam piping;
 - d. Steam turbine;
 - e. Steam engine;
 - f. Gas turbine; or
 - g. Moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.
9. An “accident” that is the result of explosion, fire or smoke.
 10. Fire or explosion that occurs at the same time as an “accident” or that ensues from an “accident”.
 11. Water or other means used to extinguish a fire, even when the attempt is unsuccessful.

The subject loss and damage is not covered by the CIC Machinery & Equipment Breakdown Policy by reason of the foregoing exclusions.

Pursuant to your letter of August 1, 2014, Milwaukee County invoked the joint loss agreement provisions of the CIC policy and the Local Government Property Insurance Fund (Fund) policy with regard to the sum of \$1,600,000. CIC and the Fund will now proceed with the joint loss agreement arbitration. You will recall that the joint loss agreement endorsement in the Fund policy provides that the insured agrees to cooperate in connection with such arbitration but not to intervene therein. The joint or disputed loss agreement in the CIC policy provides that you agree to cooperate with any arbitration procedures.

Please be advised that CIC reserves all rights and defenses with respect to this matter, and nothing herein constitutes any waiver of any rights or defense CIC may have under the policy in question or applicable law, whether or not stated herein. This enumeration of specific provisions of the subject policy is not meant to be, or is to be construed as, a waiver of any term, provision, condition, limitation, definition or exclusion that may now or hereafter apply to coverage afforded under the policy.

The policy provisions that are quoted are intended to bring to your attention particular policy language that appears to possibly be relevant based on the information that is available at this time. Other provisions could be applicable after additional information is developed. Furthermore, no action taken by CIC and/or their agents or representatives in the investigation of this claim is intended to be or should be construed as, an admission of liability under the policy or as a waiver of its rights and defense under the policy or applicable law.

Please do not hesitate to contact us with any questions or comments.

Very truly yours,

A handwritten signature in black ink that reads "Jeffrey Grove". The signature is written in a cursive, flowing style.

Jeffrey Grove CPCU