



Cannabis Farms – A Growing Problem

By Paul Redington BA (Hons) ACII Chartered Insurer, Toby Knight FCII FCILA FIFAA & Deon Webber MSc, Eng Tech, FIFireE, FFireInv

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Introduction

Home Office statistics show that over a third of a million cannabis plants were seized in the UK last year, with almost 70,000 found in the West Midlands alone. That region showed a haul of 67,776 being confiscated, an increase of almost 40% on the year before.

The UK fire and rescue services have been attending cannabis related incidents since at least the 1970's. As cultivation increases so do the fires related to the illegal factories or farms. Recently released figures by London Fire Brigade show there were 12 cannabis factory fires in the capital in the first four months of 2019 – almost reaching the total for the whole of 2018.

Many of these fires were in residential premises posing a serious threat to those living nearby but factories housed in commercial premises are also on the increase.

There is little doubt that losses stemming from cannabis cultivation pose a real issue for Insurers, and are providing a growing source of work for loss adjusters and forensic scientists. This article will explore the different types of claims that are presented to Insurers, how policies might respond in practice and the forensic investigation aspect.

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An Insurer Perspective

The large warehouse blaze reported in Tottenham in May 2019 is believed to have started in a cannabis factory. Zurich insure one of the neighbouring units, with the resultant claim likely to exceed £1 million. Whilst such incidents grab the headlines, escape of water related losses from leaks to irrigation systems are not unusual, as well as the effects of condensation to the building fabric. Holes are often cut in ceilings to provide ventilation or to facilitate access for wiring, which in itself is often sub-standard. That wiring feeds the lighting systems, themselves a source of potential ignition.

Vacant premises are also an issue. Often they are broken into and taken over to be used as a cannabis farm without the knowledge of the owner. The farms themselves are then left largely unattended, meaning that any fire which develops is not dealt with until it takes hold and is spotted by neighbours - increasing the level of damage to the premises itself and the threat to adjacent buildings.

Reputable property owners can of course fall victim to a tenant or sub tenant who decides to set up a factory and so it is vital for landlords to have a robust vetting system. Tell-tale signs may be tenants that seek to pay rent in large sums of cash, or are unable to supply proper references.

Rarely considered is the cost to landlords of reinstating premises as/when the factory is later discovered, or the tenant moves on. Claims are often then presented for malicious damage and need to be carefully considered.

Barbed wire, fake floors and electrified door handles and windows are often deliberately set up to injure those who may seek to enter the premises – even potentially creating a liability claim for the unsuspecting property owner.

When a loss occurs robust investigation by the adjuster and forensic scientist is key, as is proper liaison with the relevant authorities, such as the Police. If the factory is within the Insured's own unit then the policyholder's potential involvement needs to be carefully examined. Even if the policyholder is the innocent victim, scrutiny may still need to be applied to their tenant vetting procedures. Some policies have certain conditions in that regard.

Policy condition compliance certainly needs to be checked where a vacant premises is concerned given the likelihood of an unoccupancy condition. The absence of regular inspection of the property may well be material.





Finally, subrogation. Whilst obtaining recoveries for, say, fire or water spread from next door may be challenging, it may be that a case could be made against the neighbouring property owner should there be evidence that they turned a blind eye to the activity in their premises, or showed wanton disregard for the nature of a tenant, or what that tenant was doing.

Paul Redington BA (Hons) ACII Chartered Insurer

Deputy Chairman – CIL A Property SIG

Regional Major Loss Manager – Zurich Insurance

A Loss Adjuster Perspective

Below are some examples of claims which adjusters may encounter, along with information on how the insurance policy might respond in each instance.

Example 1



Cannabis plants on first floor

- The risk address is a mid-terrace, standard brick-built house let out to domestic tenants
- No background searches were ever carried out on the tenants with rent always paid in cash
- Following the first six months of tenancy, the landlord attempted to inspect the property although was unable to gain access due to the locks being changed
- The landlord notified the Police, but very soon afterwards an extensive fire occurred which was discovered and notified to the Fire Brigade via a neighbour
- During extinguishment, it became apparent that the premises were used for the cultivation of drugs. Plants were found throughout the ground floor, first floor and loft areas





Cannabis plants and equipment on ground floor

- The site was declared a crime scene for over two weeks and access was not immediately available
- Cannabis plants create a strong odour that can alert passers-by/neighbours to the criminal activity and therefore it is common that incense sticks/scented candles are used. Forensic investigation revealed that this was the most likely source of the fire on this occasion
- Within this particular policy, there were no exclusions/conditions relating to requirements for due diligence to be taken in terms of new tenant checks, or subsequent illegal activities. The claim was covered and dealt with

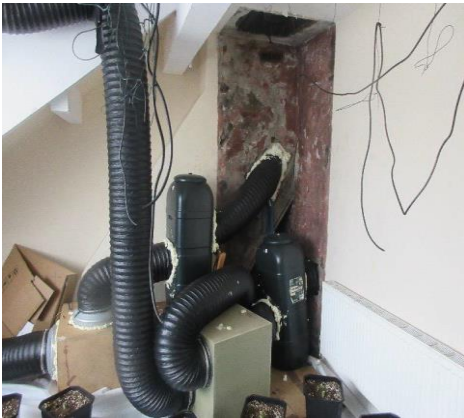
Example 2



Installation of cannabis cultivation equipment

- The risk address is a commercial building with living quarters above
- Premises were let and tenancy agreement arranged
- Following complaints from neighbours of loud banging within a couple of weeks of occupation, the landlord unsuccessfully attempted to contact the tenant
- Following inspection of the property, the landlord found the windows sheeted over and the letterbox covered internally
- The Police were notified immediately and upon raiding the property, they found a cannabis farming operation. The person found at the





Damage sustained due to installation of equipment

property operating the equipment was an illegal immigrant rather than the individual who agreed the tenancy agreement

- Extensive damage had been sustained due to the installation of the equipment
- The claim was declined following a breach of the requirement for certain tenant background searches/proof of identity to be carried out.



Condensation has resulted in significant spoiling of decorations

Example 3

- The risk address is a Victorian end of terrace house let out to tenants
- A notice offering the house for rental was placed in a local shop window
- Rent was paid each month on time in cash, although in retrospect the Insured recalled that the tenant went out of his way to pay at the landlord's home – presumably to discourage him visiting the risk address
- Eight months into the tenancy, the landlord called at the risk premises as the rent had not been paid
- Upon arriving, he found the rear door open, the house vacant and the remains of a cannabis cultivation operation. The Police were subsequently called





Holes made in ceilings to locate rafters for lamp fixings

- Physical damage had been sustained to the building including escape of water from a bath, electrical supply being altered, internal fire doors, kitchen units and worktops removed – presumably to assist with circulation around the house
- There was also an assortment of staple marks and other damage to walls and ceilings where cable/hoses had been installed. There were also scorch marks on doors where banks of transformers had been fixed
- Fitted wardrobes, desks and cupboards had been stripped from seven bedrooms, presumably to maximise available growing space
- Windows had been blacked out and floors covered in plastic sheeting.
- A significant amount of damage had also been caused by condensation as a result of the water/cultivation process
- This was a property owner policy with no applicable exclusions to the All Risks cover. The claim was accepted and dealt with





Example 4



Room lined with insulation material



Evidence of cannabis production

- The risk address is a large rural domestic property with outbuildings, let via an agent
- Tenant suggested that he wouldn't occupy for some time as relocating from overseas
- Limited checks were undertaken and over a year later, following an anonymous tip off, the Police raided the property and found an extensive cannabis cultivation farm across the entire property and all outbuildings
- The main house and various outbuildings had been used for storage and mixing of compost/elements necessary for cultivation
- A large number of rooms had been fitted out in order to provide insulated areas for cannabis growth/production. The cellar had been converted and equipped to dry the cannabis leaves
- In order to fuel the whole enterprise, the electricity supply had been diverted around the main consumer panel
- Baths and other sanitary fixtures/fittings had been used for the storage of various liquids
- For this particular claim, the matter was repudiated by Insurers under the Unoccupied Property section of the policy.

Toby Knight FCII FCILA FIFAA
Head of Operations – South, McLarens



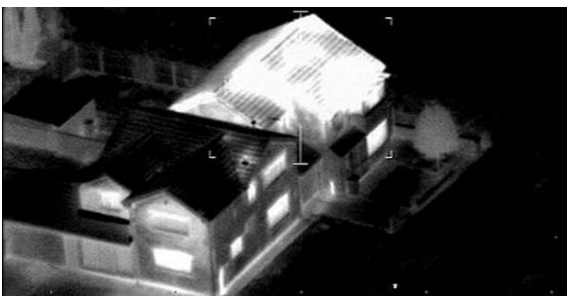


A Forensic Perspective

Growing Cannabis

The process itself is one of basic horticulture, in which a seed or seedling is grown in an appropriate medium until such time as the buds are mature enough to be harvested, dried and cured ready for use. It is the clandestine nature of this process, due to its illegality, that creates the problem as cannabis is designated a Class B controlled drug under The Misuse of Drugs Act 1971, which makes the mere possession of it a crime.

Where most types of plant growing take place in the open or in greenhouses, with ample access to warmth, fresh air and sunlight, this type of operation generally takes place inside, deliberately hidden from fresh air and sunlight in an extraordinary range of building types. Small scale production is typically found in spare bedrooms, roof spaces, basements and garden sheds. More large-scale production is often encountered in rental properties, leased specifically for the purpose and which often suffer significant damage by growers: these are often disused or empty commercial and industrial buildings. Industrial units and warehouses have become commonplace locations for cannabis growing, but cannabis farms or factories have been found in office blocks, country mansions, pub cellars and in June 2019, a "substantial" cannabis factory was discovered inside a former Gala Bingo hall in Kettering town centre.



Police helicopter thermal imaging and the weather can sometimes be a giveaway

The only defining factor appears to be the need for a working electricity supply, and it is here where many of the fire hazards are found. As long as there is an electricity supply coming into the property, the removal of main fuses will never be an obstacle to the committed cannabis grower.





Electrical Causes

The theft of electricity is illegal, but this of course is not seen as a problem. The two crimes are almost always found side by side where cannabis growing is concerned. The reason is that the hidden nature of this process requires that warmth, fresh air and bright artificial sunlight are provided to ensure that the plants are able to grow. This is generally achieved by the use of multiple powerful lamps such as High Intensity Discharge lamps, which are more commonly used in high bay warehouses, arenas and stadiums. These lights have a high power requirement and they produce large amounts of heat, giving the added requirement for mechanical ventilation to dissipate the heat and provide a fresh supply of oxygen. It is therefore common to find large amounts of cabling feeding lighting, pumps and fans throughout the growing area. In large scale operations this can be professionally installed, but commonly, the workmanship leaves a lot to be desired.



Lighting and ventilation equipment as found in large scale cannabis production

The majority of fires encountered within properties used for cannabis cultivation are related to the electrical supply. In addition to the sometimes dozens of junction boxes and connections required, the need to extract electricity without paying for it usually requires the electricity meter to be bypassed. These sometimes crude methods will involve poorly made electrical connections, which when being used to carry high levels of current, are likely to result in resistive heating and, ultimately, ignition. Working on live circuits to make these connections brings with it its own risks, the possibility of electrocution is also a reality and a number of deaths have been recorded.





Typical damage from bypassing the meter

Other modes of ignition are possible with any process of this type. The use of hot lamps has its own risks and fires have been known to start through hot lamps coming into contact with combustible material. Damage is not just restricted to the risk of fire, there are many recorded examples of significant damage being caused by the creation of holes in walls, ceilings and floors for the passage of ventilation ducting and the use of hydroponics, where the plants are grown in nutrient enriched water, has led to flooding events which can, and do, devastate properties.

A frightening new danger has emerged relating to the extraction of 'hash oil' from cannabis. First identified in the United States where scores of explosions have been reported, this process involves driving liquid butane through the plant material, to act as a solvent in order to extract a small amount of oil, which is a highly concentrated form of THC (the chemical that causes the high) and which is usually smoked in a pipe.

The amount of butane required to carry out this process, in what are mainly homemade labs, is capable of creating a huge highly flammable gas cloud, which requires only the smallest spark to cause a devastating explosion. There have been numerous deaths from these explosions in the USA, something that is likely to be repeated in the UK

Investigative Problems

It follows that because of the illegal nature of cannabis cultivation, when a fire occurs, the fire and rescue service will immediately notify the Police and the area will become a crime scene. The Police





will then have a duty to remove any evidence that may be required to secure a prosecution, and this will include cannabis plants as well as any evidence that might prove the theft of electricity.

Such seizures have, in recent years, revealed the lengths growers will go to, to prevent discovery with numerous types of booby trap identified, designed to cause injury to anyone entering the growing area.



Windows wired to the mains



Spikes placed on windowsills

There is a clear need to liaise with the emergency services to ensure that any evidence is made available at the earliest opportunity. However, it is often the case that such evidence is retained until the conclusion of any resultant court case which can be months, or years.

In a small number of cases, the resulting damage from the fire has been so great as to obliterate any recognisable evidence that might suggest cannabis cultivation. In those cases, investigators need to be aware of the nature of the equipment that is required for this purpose and to be able to recognise the remains of any such equipment post fire. The ability to recognise fire damaged peat bags, HID lighting or ventilation ducting may be sufficient to involve the Police if they were not already aware.

Deon Webber MSc, Eng Tech, FIFireE, FFireInv

Manager Training and Compliance, Senior Investigator

IFIC Forensics





Conclusion

There seems little doubt that cannabis farm related insurance claims will continue to be a source of work for the adjusting profession for some time. These losses present a number of challenges - particularly in the investigative stages.

Associated claims require careful, sensitive handling, particularly given that criminal activity has most likely taken place. Suitable background checks, establishing the history of the property, and liaison with the authorities are all likely to be key. Relevant policy conditions need to be properly scrutinised and attention should be given to establishing sufficient information upon which to base an informed view on coverage at the earliest opportunity.

Understanding the various challenges involved in handling such claims is essential, and ultimately a co-ordinated approach between adjuster, Insurer, forensic investigator (and any other relevant stakeholder) is recommended to ensure a suitable outcome.

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