

ARE YOU AT RISK FROM THIS EXPLOSIVE PERIL?



News stories about rechargeable lithium-ion batteries are everywhere.

Found in common household items like mobile phones, laptops, e-scooters and power tools, these batteries are key to Australia's transition to net zero emissions. However, ensuring their safe usage, storage and disposal presents some challenges.

A growing problem

We've seen several examples of lithium batteries spontaneously combusting when being used, stored and charged. While incidents are rare, they're increasing and are serious.

Batteries can overheat or explode if they're:

- used, charged or disposed of incorrectly
- exposed to heat and moisture
- crushed or damaged.

The batteries' biggest selling point is also what makes them so potentially dangerous. Lithium ions store large amounts of energy in a relatively small area, but it's highly flammable, and when producing power, the batteries also generate heat. The resulting fires can burn at up to 400 degrees making them volatile and difficult to extinguish.

By 2026, households will likely have over 30 lithium battery-powered devices, so it's a perilous problem the strata community must quickly address.

Impact on strata insurance

Insurance is a balance of risk versus exposure. As risk increases, so does the exposure to a potentially significant loss.

With strata insurance, serious cases of fire are an accepted peril but cover only includes damage to the building and common contents. Owners/tenants must insure personal items with contents insurance if they want protection. They should also be aware of liability exposure if it's proved they failed to follow the manufacturer's recommendations for the use, care and charging of a product containing a lithium battery.

There are currently no specific exclusions for this type of incident on strata insurance policies. But insurers are watching the evolving risk landscape carefully and this could change.

The WA Fire and Emergency Services Commissioner noted structure fires caused by lithium-ion batteries have increased by more than 85% since 2020 in Western Australia.

Allianz reported a 440% increase in claims for lithium battery fires and a 900% increase in claims cost. (August 2020 to November 2023)

- Lithium battery-related fire claims cost (on average) 91% more than non-lithium battery claims.
- On average, battery fire claims take 72 days longer to close than other fire claims.
- E-scooters involved in fires are often purchased second-hand from sites like Facebook Marketplace, with no known manufacturer.

Source: CHU

Taking action to mitigate the risk

Everyone in the strata ecosystem has a role to play in managing the risk.

The ACCC has urged governments to create a unified regulatory framework and establish consistent requirements for testing, labelling, transporting and storing lithium batteries.

The Insurance Council of Australia has recommended measures to improve the safety of electric vehicles (EVs) and personal mobility devices.

1. **Expand the Battery Stewardship Scheme** to include EV batteries. Safe and effective recycling will facilitate responsible management throughout their entire life cycle.
2. **Strengthen regulation and enforcement for personal mobility devices**, like e-scooters and e-bikes, to ensure the safe equipment is imported and sold, reducing the availability of unsafe products.
3. **Educate consumers** about how to use and maintain electrified transport and charging infrastructure safely.
4. **Work with insurers on evidence-based risk modelling** to inform decision-making on the transition to EVs. Insurers are well-placed to advise on issues like ensuring charging infrastructure can withstand future extreme weather events or providing risk assessments on EV performance.

Proactive strata schemes

Although we can't control owners' behaviour, we can improve risk awareness and ensure owners have appropriate insurance coverage. Strata schemes should also provide owners with guidelines about the potential risks.

- Charge lithium battery products away from combustible materials such as sofas and carpets.
- Let batteries cool after use and before charging.
- Disconnect products from chargers when fully charged.
- Store batteries and products in cool, dry places, away from direct sunlight.
- Don't use batteries, products or chargers that are overheating, swelling, leaking or venting gas.
- Don't dispose of lithium batteries in household garbage or recycling bins.

We must stay alert to this evolving new risk and potential explosive hazard. We urge people to make informed choices when purchasing items with lithium batteries and always follow the manufacturer's instructions for maintenance and servicing.

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**To find out more about the dangers with lithium batteries,
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