

SEPTEMBER 2020

Minimizing Losses From Civil Unrest

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Q3 Professional Liability Newsletter

The following material is provided for informational purposes only. Before taking any action that could have legal or other important consequences, speak with qualified legal and insurance professionals who can provide guidance that considers your own unique circumstances, including applicable employment laws.

Riots. Looting. Vandalism. Civil commotion.

The violent incidents that ignited nationwide and worldwide over the past few months turned otherwise peaceful demonstrations into frightening confrontations between protesters and civil authorities. Caught in the middle were innocent business owners who saw their companies disrupted, damaged or destroyed. Property and income losses across the United States soared into the multi-millions of dollars and some business owners simply couldn't withstand another disaster on the heels of the Covid-19 pandemic. It was the last straw that drove them out of business. So, how would you fare if your design firm was the victim of violent civil unrest? Would your commercial property be covered by insurance if damaged or destroyed by an intentional act of looting, arson or vandalism? What about the loss of business income that would occur and the extra expenses that would be incurred to get your company back on its feet and able to deliver services to clients? And is there anything you can do to prevent your firm from being targeted, or at least minimize the damages? Let's take a look at some of these risk management questions.



Yes, You Should Be Covered

The good news is that if you have a typical commercial property policy you should be covered for perils such as riots, looting, and vandalism. This includes damage caused by the rioters, arsonists, looters or vandals as well as damage caused by the police or other authorities responding to the civil commotion. The question remains though: How much coverage do you have (considering policy limits and deductibles) and what exclusions might exist? Your commercial property policy may not define each type of peril individually, but instead lists them together under broad terms that define covered perils. This is true whether you have a "named perils" policy or a "special form" policy. Your commercial property policy may not define each type of peril individually, but instead lists them together under broad terms that define covered perils. This is true whether you have a "named perils" policy or a "special form" policy.

Coverage exclusions for this group of perils rarely appear in commercial property policies, and if the peril is not specifically excluded you can usually safely assume it is covered. There is one important exception. Some commercial property and business owner policies (BOPs) exclude coverage for the breaking of plate glass doors and windows. If so, you may want to purchase plate glass coverage separately. Check your specific policy language for plate glass or other exclusions. Note that civil commotion damages to company vehicles will likely be covered under your auto policy rather than your commercial property policy. Check your comprehensive auto coverage and the limits, exclusions and deductibles that may apply to this type of damage.

Coverage For Physical Damage

What types of physical damage resulting from civil unrest would typically be covered by a commercial property policy? Among others:

- Broken windows and doors (and the cost to board them up).
- Destroyed or looted furniture and equipment.
- Fire damage to the building and contents due to arson.
- Defacement to the building due to vandalism.
- Damaged or stolen fixtures.
- Virtually any personal or commercial property destroyed, stolen or damaged during the unrest.

It is comforting to know that most physical damage to your business should be covered by a standard property policy and a quick review of policy language should confirm that fact. But coverage for physical damage is only half of the equation when it comes to losses related to civil unrest. Sometimes, the lost business income in the wake of a civil disturbance can outweigh the physical damage.

Business Income & Extra Expense Insurance

Business income and extra expense insurance should cover lost revenues that result when the physical damage from civil unrest prevents you from conducting business. For purposes of business income insurance, business income includes:

1. The net income a company would have earned had business not been interrupted.
2. The on-going expenses, such as utilities and rent, that continue during the business interruption.



Generally, for business income coverage to come into effect:

- It must be necessary for you to partially or completely curtail business operations due to the damage.
- The loss must be caused by physical damage to the building as a result of a covered peril.
- The premises that is damaged must be identified/described in your commercial property policy.

Notice that you do not need to own the damaged premises or property in order for business income insurance to come into effect. If you rent your offices from a property company, for example, you likely qualify for business income coverage if you have insured your personal property under a commercial property policy.



Business income insurance should continue to provide coverage through the "restoration period" -- the duration of time required (or that, in the insurance company's estimation, should be required) to repair the damaged property. The policy may include an initial waiting period before BI coverage kicks in. This waiting period is typically 48 to 72 hours.

Often included with business income insurance is extra expense insurance. This covers added expenses that must be incurred in order to continue in business following property damage. This can include the costs of renting replacement space, equipment and furniture while you replace or repair your own property.

Civil authority coverage may also be included in your business income policy. This would cover losses caused by civil authorities closing down streets or otherwise prohibiting you from accessing or occupying your company premises even though there may be no physical damage to your building.

Typically, however, there must be an order to evacuate due to damage caused by a covered peril to a neighboring premises that is not part of your company. Civil authority coverage is typically good for up to one week to one month of lost income.

Preventative Measures in Troubled Times

Maintain your outside grounds. Make sure the exterior of your building and surrounding landscaping do not invite troublemakers onto your premises. For instance, ensure your building and parking areas are well lit. Use commercial security systems with alarms and

cameras. Consider hiring a security service to monitor your property. Keep shrubbery, trees and other plants properly pruned so that they don't provide attractive hiding places. Store your garbage bins away from your building, locked up or fenced off. Trash dumpsters and garbage cans are favorite targets for setting fires and smashing doors and windows.

Focus on street level doors and windows. Heavy duty metal or wooden doors and gates can serve as effective deterrents against intruders. Similarly, break-resistant glass can make it more difficult for a perpetrator to enter your building. Reflective windows that limit a potential looter's vision of your building's interior may urge them to seek another target if they can't see the potential loot inside.

Don't put your expensive goods on display. Companies love to show off their fancy new computers, their expensive artwork, their lavish furnishings and other signs of wealth and success. These items are often the first thing you see when entering commercial offices. Realize, though, that those displays may be an invitation for vandals and looters to destroy or steal your prized possessions. Perhaps placing your most expensive belongings in a less conspicuous, more secure interior area of the offices may make sense. Safes, cameras and alarms also provide good interior security and protection.

Train your employees. Civil unrest can be sparked instantaneously by a sudden single event, as we witnessed recently. It is critical that employees know what to do in the event they are suddenly in the center of dangerous destruction or violent confrontations. Make sure employees know the safest evacuation routes and gathering spots away from the building as well as areas to shelter in place inside the premises. Assign a manager to spearhead this training effort. Meet with local authorities for guidance, and call them in at the first sign of trouble should a disturbance brew.

Back up your computer network. Should your business go up in smoke or otherwise be ravaged by looters, arsonists or vandals you'll want to be prepared to restore your business records and operating systems as soon as possible. Having an offsite back-up computer system will be key to your

recovery. Fortunately there are many options available in today's cloud-based world.



Work with your business neighbors. Many residential areas have "neighborhood watch" organizations. Homeowners meet on a regularly scheduled basis to discuss security issues such as recent crimes or suspicious activities. Some invite police representatives to attend their meetings. Businesses can do the same in commercial areas. You and neighboring companies can share information, keep an eye out for each other, keep the local police informed of suspicious or criminal activities and perhaps make your area less attractive to ne'er-do-wells.

Contribute to your community. Companies who actively support the local community through volunteerism and charitable giving can build up considerable goodwill. That goodwill may pay dividends during times of civil unrest.

Limit valuables. Limit the amount of cash and other valuables not necessary for company operations that are kept in the premises. Should intruders penetrate your building, the less cash and cash equivalents to find the better.

In The Aftermath

Despite your best efforts, you may find yourself a victim of a civil disturbance, suffering physical property damage. If so:

- Get any employees or business associates who are on the premises to a safe location.

- When it's safe, preserve your property. Save and photograph damaged property to show your claims manager.
- File a claim with your insurance agent. If possible, make the report within 24-hours of the event.
- Track all expenses you incur in your recover effort. Estimate and document your lost income during the restoration period.
- Keep in contact with your agent throughout the process. Document your conversations.

Safety Above All

Unfortunately, peaceful protests calling for justice and equality can be quickly hijacked by individuals with less honorable intentions. These rioters often take their anger out on local businesses and are bent on looting, burning or otherwise destroying commercial properties both large and small. As a business owner, your first priority should be the health and safety of your employees, clients and other associates. Then you can worry about your commercial and personal property and the restoration of your businesses. Insurance plays an important part of that restoration and recovery. It can help you repair and replace your damaged physical property, restore your lost income and cover the extra expenses needed to get back to business. Work with us to determine your current level of insurance coverage in the event of civil disorder and decide whether you need additional coverage to provide adequate protection.

We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and even to certain preventatives, from construction observation through the development and application of sound human resources management policies and procedures. Please call on us for assistance. We're here to help.