

**An important question will arise during an event of this magnitude, which is whether the company should file a claim. McGriff always recommends that clients file any claim or potential claim with the carrier as soon as possible in accordance with the policy.**

State and local governments acted quickly to slow the spread of the coronavirus by requiring non-essential businesses to temporarily cease operations. The shut-downs have resulted in additional exposure and extensive financial impact. As buildings and projects have been suspended, one item of concern is how an insurance policy may respond to unoccupied or vacant premises.

Property policies specifically include policy provisions for unintended exposures due to a vacated property. A vacant or unoccupied building or commercial space is subject to a greater risk of vandalism/theft and an increased severity related to other losses. Most commercial property policies contain a vacancy exclusion stating that if loss to a building occurs after it is vacant for a specific period of time there will be coverage issues. Policies may limit these exclusions to specified perils, or limit the financial liability of the insurance policy to a smaller percentage of claim payout.

The potential obstacle for the vacancy provision will be distinguishing what constitutes a vacant building vs. an unoccupied building. An unoccupied location could be characterized as a temporary lack of occupancy, which may include frequent visits to check on the property. “Vacancy” is typically not defined within the policy, but it has been widely accepted that a building will be considered vacant if there are not enough business contents within the building to maintain customary operations. Some policy interpretations may hold that the building would be considered unoccupied until the specific time period defined by the policy is met, at which time the property would be considered vacant. For a building owner, most policies define the building as vacant unless at least 31% of the total square footage is either leased or currently being used to conduct customary operations. The time period specifications on a temporarily unoccupied building can play an important role in how a policy responds to claims and if the vacancy exclusion applies.

Policyholders will need to answer some questions and derive a plan of action if a newly unoccupied commercial property or project exists. Below are some questions to consider:

- How long has the building been vacated?
- When is a return planned?
- Will operations be limited upon return?
- What areas and portions of the building will be empty for an extended period of time as a result?
- What time frame does the policy define as vacant?
- Will the building not be reoccupied?
- Do the policy terms and conditions require notice to the carrier of the modifications or limited use of the building?

The answers to these questions may result in different actions and considerations. Potential protective measures may include adding an endorsement to amend the policy’s building occupancy, or issuing a formal notice to the carrier regarding the risk adaptations. It is recommended businesses should work in close consultation with their insurance broker to review how vacancy provisions apply and what specific actions are needed to respond.

### Protecting Property During Mandated and Voluntary Closure

Issued mandates or limited operations mean that business will have to vacate the building or a portion of it for an extended period of time. It is important to secure the property as much as possible and document all actions taken. There may be policy conditions which require protective measures.

Below are a few important recommendations for securing the property:

- Property owners or managers should visit the property frequently and inspect the exterior and interior checking for damage or signs of attempted intrusion. They should ensure all points of entry are locked.
- If the property is protected by a security camera system, make sure signs are posted conspicuously notifying the public.
- Fire protection systems should be active and maintained, with valves locked in the open position.
- Alarms and other component testing schedules should be maintained.
- Keep heat and smoke detection systems active.
- Fire pumps should have weekly churn test.
- Keep third-party monitoring of fire and security alarms current.
- Property owners and managers should consider turning off the domestic water supply to limit any leaks that may lead catastrophic loss. However, the fire sprinkler water supply should be maintained.
- Chemicals and hazardous materials should be properly stored in approved flammable liquid cabinets or other approved locations.
- Authorities should be notified that the building is being temporarily vacated so they can monitor for criminal or suspicious behavior.
- Be cautious using social media to communicate business plans. Announcing an extended closure of operation may be an invitation to thieves or vandals.
- Computer rooms should be secured to ensure offsite back-up files are up to date.
- Water should be flushed and fountains, and water coolers cleaned to prevent legionella.
- The proper chemical mixture should be maintained in all water systems to prevent bacteria growth.
- The HVAC system should remain operable to prevent mold.

For more information – please visit our [Coronavirus Resource Center](#).