

Can Business Owners Get Insurance To Cover Losses From Riots, Vandalism And Civil Unrest?

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The recent civil unrest in Baltimore, just like the events that took place in Ferguson, Missouri, last year, is a stark reminder that we live in troubled times. While the events that lead to such occurrences are varied, and the societal issues that influence them can be widely debated, one thing is clear – the damage and destruction left in their wake is devastating. Shops burn, glass storefronts are shattered, inventory is stolen and valuable property is otherwise vandalized. Luckily for business owners both directly and indirectly affected by these unfortunate events, they can and should turn to their business property insurers to cover what, in many instances, can be staggering losses.

First Steps for Obtaining Coverage for Losses From Riots, Vandalism and Civil Unrest

For any impacted business owner, the first step is to locate and review his or her business property insurance policy. Once the policy has been located, provide notice of any losses promptly. If the policy is written on a defined risk or peril basis, generally the covered risks or perils will include riots, vandalism, civil commotion, looting and malicious mischief. If the policy is written on a broader and more inclusive all-risk or all-peril basis, any risk or peril causing a loss will be a covered event unless otherwise excluded.^[1] Provided that the events surrounding the period of civil unrest are covered perils, the policy should provide basic protection for direct physical damage or loss to covered property, as well as resulting business interruption loss and associated extra expense.

Look to Coverage Extensions That Could Apply and Provide Further Coverage

In many instances, a business property policy will also contain a host of coverage extensions that can also be extremely valuable sources for recovery. The following is just a brief overview of some of these additional or supplemental coverages potentially available to impacted business owners.

Civil Authority Coverage:

Coverage under this extension is provided for a business interruption loss due to an order of civil authority that prevents access to an insured location. Thus, if a curfew is imposed or the public is otherwise prevented by authorities from accessing a business area, resulting business interruption and extra expense coverage may be available. Importantly, coverage is not dependent on the policyholder actually sustaining damage to his or her own property. However, coverage under more restrictive policies will be conditioned on the order of civil authority being issued as a direct result of property damage within the vicinity of the insured location. Less restrictive

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policies will not contain such a condition and will allow for business interruption coverage whenever business is impacted by an order or civil authority regardless of the existence of property damage.

Ingress/Egress Coverage:

Pursuant to this supplement, business interruption and extra expense coverage is provided when direct physical damage physically prevents ingress to or egress from an insured location. For example, if customers are physically unable to obtain access to a business because of surrounding physical damage – such as downed power lines – business interruption coverage may be available. As with civil authority coverage, actual physical damage to the policyholder's own property may not be a prerequisite to coverage.

Attraction Property Coverage:

Yet another example of a business interruption coverage source available even if there is no direct physical damage to an insured location is attraction property coverage. Under this extension, business interruption coverage may be available if locations neither owned nor operated by the policyholder, but which attract business to the policyholder, sustain physical damage. Examples of such attraction properties may include convention centers, sports venues, theme parks, restaurants, theaters and casinos.

Accounts Receivable Coverage:

In the event that a policyholder sustains physical loss or damage to his or her accounts receivable records – resulting from an event such as a fire – coverage under this grant will generally be available for any shortfall in the collection of the impacted receivables.

Protection and Preservation of Property Coverage:

In addition to providing coverage for the costs incurred for actions to temporarily protect or preserve insured property in the event of actual or threatened physical loss or damage, this coverage extension may also apply to fire department charges incurred for responding to a fire at an insured location and the costs incurred for restoring and recharging fire protection systems.

Takeaways for Obtaining Coverage

As stated above, when confronted with a loss, policyholders should be extremely diligent in providing notice to their carriers as soon as possible. Policyholders must also be mindful that their policies likely contain other time sensitive conditions. For example, a policy may contain a requirement that the policyholder provide a sworn proof of loss within 30 days following the loss. The policy may also provide that the policyholder only has a set amount of time in which to bring suit against the carrier for failure to pay a loss. Failure to abide by these conditions may provide the insurer with technical bases to avoid their coverage obligations.

Above all else, policyholders must not forget that the coverage that they

purchase is an asset that can and should be called upon to respond in the event of a loss. A detailed review and understanding of that policy asset is necessary to fully maximize the coverage for which valuable premium was paid. [1] Terrorism can be an excluded peril under some property policies. While the riots our country has recently witnessed would not ordinarily be thought of as terrorist events, policy definitions can be extremely broad. Fortunately, many policies will specifically exclude riots and related activities from their definition of terrorism.