

ALERT

## Four Things to Know About Insurance for Riots

By Pamela Hans and Nicholas Maxwell

Just as businesses are preparing to reopen after months of COVID-19-related closures, a wave of rioting and destruction has washed across many cities. Many business owners now have to contend with property damage, theft and vandalism that may delay reopening and necessitate costly repairs, on top of the drastic financial strain already imposed by COVID-19. To make matters worse, retailers like the ones hit especially hard by looting were already being hit especially hard by the COVID-19 pandemic.

Will insurance cover these new rioting losses? In many cases, yes. If your business was damaged and/or ordered to close as a result of the current unrest, keep these four points in mind.

### 1. Riot-related losses may be covered by your property insurance policies.

Standard property insurance policies cover property damage caused by rioting, civil commotion or vandalism. These causes of loss are typically insured in both all-risk property policies and policies that cover specified named perils. While insurance policies may contain provisions excluding or limiting coverage for war, military action, terrorism or civil insurrection, the vandalism and looting giving rise to new losses should not be encompassed by such exclusionary language.

Property insurance policies typically cover damage to:

1. The building itself.
2. Fixtures, windows and doors, and other parts of the building.
3. Glass (depending on the particular endorsements and coverages).

In addition to damage to the structure itself, business owners should have coverage for merchandise stolen from insured locations that constitute business personal property.

### 2. Business interruption losses may also be covered, even for businesses that were closed due to COVID-19 at the time of the looting.

In addition to coverage for their physical loss to property, business owners may have business interruption coverage for the time that their

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business could not be open due to necessary repairs. Importantly, this business interruption coverage may be available even if a business was already subject to a mandatory closure order based on COVID-19. Although insurance companies will likely argue that there is no business interruption coverage available because the insured property would have been closed anyway, that argument is not borne out by the language in many policies. Policyholders should not assume that if they were already closed due to COVID-19, there is no business interruption coverage available for covered riot losses.

Business interruption coverage is especially important where a business was about to resume at least partial operations when the riot-related interruption occurred. This could come up across the country, as governors in most states were in the process of lifting closure orders when the rioting began. If the policyholder can show the government order would have been lifted and they would have begun operating but for the riots, there is a strong argument for business interruption coverage.

### 3. Insurance companies may be required to advance the repair or rebuilding costs.

Policyholders may be wondering how to repair or rebuild and restore inventory if they are already financially strained because of COVID-19 losses. Depending on the specific terms of the insurance policy, the policyholder may be able to elect to have the insurance company advance the actual cash value of the property to fund needed repairs, thereby mitigating additional loss of business. Once repairs are made, the insurance company should pay the difference between the replacement cost and the actual cash value previously advanced.

### 4. Experts can provide much-needed assistance as circumstances evolve.

Policyholders are always wise to consult with experts to help navigate the complexities of insurance losses, claim submission and policy analysis. Now, at a time when business losses are substantial, varied, ongoing, and sometimes stemming from more than one cause, it is all the more important to reach out to professionals who can make sense of the complexities and identify straightforward solutions. ▲

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