



COVERAGE INSIGHTS

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Addressing 4 Common Sources of Commercial Property Insurance Claims

Commercial property insurance claims can arise from numerous unexpected events. An electrical fire may destroy critical equipment; a severe storm may hit without warning, damaging a building's exterior and allowing water to enter the property; or an act of vandalism may damage fixtures, resulting in significant repair expenses. These and other incidents can cause substantial property damage, placing considerable financial strain on affected businesses. Beyond repair and replacement costs, organizations may also suffer lost revenue and operational delays, ultimately undermining profitability.

Organizations can proactively protect their property by understanding the events that commonly lead to losses and taking steps to prevent them. This article highlights four common sources of commercial property insurance claims.

1. Fire

Fire is one of the most serious causes of commercial property insurance claims, with the potential to cause extensive damage to a building and its contents. Fires can stem from a range of causes, including electrical equipment or wiring failures, hot work (e.g., welding), cooking operations and arson. Even a contained fire can cause significant smoke damage beyond the immediate area of the blaze.

Consider the following risk-mitigation measures:

- Install, inspect and maintain appropriate fire detection equipment and automatic sprinkler systems.

- Conduct regular inspections of electrical systems, heating equipment and other possible sources of ignition.
- Store flammable and combustible materials appropriately and away from ignition sources.
- Establish and communicate a fire safety policy, including clear procedures for hot work activities.
- Train employees in fire prevention procedures and emergency evacuation plans.

2. Vandalism and Theft

Commercial properties can attract criminal activity, especially if they are vacant or unoccupied for extended periods, contain high-value inventory or lack adequate security controls. Claims can arise from incidents involving forced entry, stolen property, damaged doors and windows, and the destruction of business assets. Extended periods of vacancy can also have insurance implications. Commercial property policies may limit or exclude coverage for certain losses, including vandalism, when a building has been vacant for a specified period. Businesses should review their policy's vacancy provisions before leaving a property unoccupied for an extended period.

Consider the following risk-mitigation measures:

- Install security cameras, intrusion detection systems and motion-activated lighting.



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- Implement strong access controls such as secure locks, visitor management procedures and key card systems.
- Secure valuable equipment, tools and inventory when not in use.
- Conduct regular security assessments to identify vulnerabilities and guide improvement efforts.

3. Weather Events

Severe weather can be a significant source of commercial property losses. Hail, high winds, tornadoes, wildfires and winter storms can damage roofs, walls, windows and other building components, resulting in costly repairs and potential operational disruption.

Consider the following risk-mitigation measures:

- Inspect and maintain roofs, gutters, drains and building exteriors.
- Install storm shutters or impact-resistant windows and doors to reduce the risk of structural damage and water intrusion.
- Secure outdoor equipment, signage and other loose items before severe weather hits and regularly trim nearby trees.
- Develop and communicate severe weather response procedures as part of emergency response and business continuity plans.

4. Burst Pipes and Water Damage

Interior water damage can occur from several sources, damaging buildings, inventory, equipment and other business assets. Claims may arise from burst pipes due to freezing temperatures, pressure changes or physical damage; sudden plumbing failures; leaking appliances such as water heaters, dishwashers and refrigeration units; or malfunctioning sprinkler systems.

Businesses should also be aware that some commercial property policies limit coverage for freezing-related water damage if reasonable steps aren't taken to maintain heat or shut off the water supply and drain plumbing systems when

appropriate. Policy requirements vary, so organizations should review their coverage before leaving a building vacant or unoccupied during cold weather.

Consider the following risk-mitigation measures:

- Inspect plumbing systems regularly for signs of leaks, corrosion or deterioration.
- Insulate pipes in cold-exposed areas and maintain appropriate building temperatures during colder months.
- Install water-detection devices and, where appropriate, automatic shutoff systems in high-risk areas such as server rooms, basements and areas near water-using appliances.
- Know the location of water shutoff valves and ensure employees can access them quickly if necessary.

Key Takeaways

Commercial property insurance claims can arise from a variety of incidents, many of which can damage assets, disrupt operations and hinder profitability. Fortunately, strong risk management practices, proactive maintenance and regular property inspections can help reduce both the likelihood and severity of losses.

Commercial property insurance also plays an important role in protecting organizations from financial consequences of covered property losses. Depending on the policy and cause of loss, coverage may help pay to repair or replace damaged buildings, furniture, equipment, supplies and inventory. Business interruption coverage, when included, may also provide financial support for lost income and ongoing expenses during temporary operational disruption.

For more risk management guidance or to discuss commercial property insurance, contact Connor & Gallagher OneSource today.