

The Newly Acquired or Constructed Property Extension



As a business owner, your commercial property needs can change over time to help meet operational requirements and satisfy customer demands. Specifically, expanding your business will likely require you to obtain additional property.

When acquiring additional business property, however, it's important to reassess your commercial insurance coverage and ensure you will remain adequately protected following such an expansion. Fortunately, the newly acquired or constructed property extension found in many commercial property policies can offer temporary protection in these situations.

Review the following guidance for an outline of key coverage features and limitations for the newly acquired or constructed property extension.

Key Features of the Newly Acquired or Constructed Property Extension

At a glance, most commercial property policies offer newly acquired or constructed property coverage as an extension of your existing building or business personal property insurance. This extension can provide protection for commercial property that you acquire throughout your existing policy period.

You can typically apply the newly acquired or constructed property extension to your existing building insurance policy in the following situations:

- **When you construct a new building**—If you decide to construct a new building for your business, this

building should be covered by the extension—as long as it's located at the premises listed in your existing policy declarations. For example, if you decide to build a new and improved structure in the same spot as your existing building, you will remain covered. Keep in mind that although this extension can offer protection for your building while it's under construction, it does not provide coverage for the actual construction project. Be sure to secure additional insurance for construction project protection.

- **When you acquire a building at a new location**—In the event that you acquire a building at a different location from the premises listed on your existing policy declarations, you could still be covered by the extension—depending on how you use the new space. For instance, most policies allow the extension to apply if you use the new building as a warehouse or for a similar purpose as your current premises.

The newly acquired or constructed property extension can also be applied to your existing business personal property insurance policy to provide protection for commercial property stored at the following locations:

- **A newly acquired building**— If you acquire a building at a different location from your existing premises, the extension should cover any property within that building—including the property acquired after your policy inception date.
- **A newly constructed building**—If you decide to construct a new and improved building at your

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existing premises, the extension should cover any property within the new structure—including the property acquired after your policy inception date.

- **Your existing building**—If you obtain additional property for your existing premises (e.g., new office furniture), the extension should cover this new property.

This extension generally does not apply to personal property of others that is temporarily in your possession during the course of installing or performing work on that property. Additionally, coverage for personal property of others that is temporarily in your possession during the course of manufacturing or wholesaling activities by your business is also excluded.

Key Limitations of the Newly Acquired or Constructed Property Extension

It's important to note that the newly acquired or constructed property extension is a temporary insurance solution. This extension is only intended to offer protection for your business until you contact your insurer and have any newly acquired or constructed property officially added to your policy.

The newly acquired or constructed property extension is also subject to certain limits. These limits usually span between \$250,000 and \$1 million for newly acquired buildings, and between \$100,000 and \$500,000 for newly acquired personal property.

Your new property will be subject to these limits until you inform your insurer of the acquisition. Once you contact your insurer and have the new property officially added to your policy, it will be covered at the limit listed on your building insurance or business personal property insurance policy. Make sure you update your policy limits to reflect the added value of any new property.

Further, this extension is typically subject to the following time and value limitations:

- **Time limitations**—Under most commercial property policies, newly acquired or constructed property can only be covered by this extension if you inform your insurer of the acquisition within a set number of days and pay any additional premium that your insurer charges. In terms of the coverage period, protection under this extension ends after a set amount of time has passed since you acquired the property or started construction on it—usually between 30 and 180 days.
- **Value limitations**—Some commercial property policies only provide coverage under this extension if you also satisfy specific insurance to value standards (the ratio of your limit of coverage to the value of your insured property). Such standards might include having a coinsurance percentage of at least 80% or possessing insurance that's written on a value reporting basis.

Keep in mind that every commercial property policy is different. Be sure to review your unique policy to understand the full extent of your coverage as it pertains to the newly acquired or constructed property extension.

For additional coverage guidance, contact us today.