

Space reductions, reconfigurations  
and renovations: How they can  
lead to enhanced property,  
personnel, and privacy risks



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The recent economic crisis forced many companies to evaluate their office space requirements in order to reduce costs, decrease overhead, mitigate rising energy costs and enable more efficient use of resources overall. Companies were already moving towards allocating less square feet per employee before the recent surge in employee layoffs. In the 1970s, American corporations typically allocated 500 to 700 square feet per employee. Today's average is a little more than 200 square feet per person, and some say the space allocation could hit a mere 50 square feet by 2015.<sup>1</sup> Currently, the National Fire Protection Association's Life Safety Code (which is not a law, but a standard) recommends 100 square feet per employee.

Traditional closed-door offices are becoming a luxury of the past, and areas of centralized open desk areas increasingly the norm. Some companies are simply choosing to send more workers home in the form of telecommuting. For example, the U.S. Patent and Trademark Office recently reported that it was able to consolidate nearly 50,000 square feet of space and eliminate \$1.5 million in rent annually through greater use of telecommuting. In addition, the office has avoided acquiring \$11 million in additional office space as a direct result of its telecommuting and hoteling programs.<sup>2</sup> And for organizations that put a priority on green practices, reducing the space per employee helps support the goal of reducing their carbon footprint.

Beyond the obvious financial risk of losing leasing space, building owners and managers can face additional property, personnel and privacy risks when a sizeable amount of office or other commercial space undergoes reconfiguration or renovation to meet the needs of existing or new tenants. These risks include:

## Property

Unlike a space "makeover" where a minimal number of contractors such as painters or flooring contractors are used, large-scale reconfigurations or renovations can require dozens of contractors and subcontractors that bring with them a host of new risks such as electrical hazards from open wires or infrastructure failure due to moving support walls or beams. Contractors tend to be more interested in speed and budget than slip and trip issues, tenant safety and other hazards.

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<sup>1</sup> "Office Walls Are Closing In On Corporate Workers," Los Angeles Times, December 15, 2010. <http://articles.latimes.com/2010/dec/15/business/la-fi-office-space-20101215>

<sup>2</sup> "Teleworking legislation is good news for budgets and workers", Washington Post, November 19, 2010. <http://www.washingtonpost.com/wp-dyn/content/article/2010/11/18/AR2010111806333.html>

***Sprinklers, alarms and other property protection devices can be turned off accidentally by contractors during construction.***

Other property risks include:

- Cost of additional security protection for tenants during construction
- Subcontractors with minimal or no workers' compensation coverage
- Uncovered skylight or window openings can lead to water damage or frozen pipes
- Sprinklers, alarms and other property protection devices can be accidentally turned off during construction by contractors

### Personnel risks

Reconfigurations and renovations can result in additional workers' compensation claims for both contractors and employees:

- Employees can risk injury if they attempt to move their own office equipment
- During an emergency building evacuation, both contractors and employees could risk trips and falls if not trained in proper evacuation methods
- With a larger number of employees within a smaller space, there is a higher chance of trips and falls moving between chairs and desks, as well as ergonomic issues
- Shared equipment such as computers and phones in a hoteling environment can lead to higher risk of germ contamination
- If lighting isn't adjusted after desks are reconfigured, eyestrain can occur

### Privacy risks

Close to 3 million Americans now work permanently from home offices and a full 38 million of the U.S. workforce telecommute at least once a month.<sup>3</sup> While telecommuting and the arrival of the virtual office has increased employee productivity and decreased costs, companies need to ensure that their most-sensitive customer and corporate information is truly secure in this mobile environment. Some privacy risks associated with open floor plans, telecommuting and hotelling include:

- Employees may overhear sensitive conversations about themselves or their team members
- Laptops and other mobile devices can be more prone to data and security breaches
- Network security can be jeopardized when passwords are left in the open on sticky notes and within sight of outside vendors, cleaning crews and other non-employees

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<sup>3</sup> "Secure a Mobile Workforce," Bloomberg Business Week, November 11, 2010. [http://www.businessweek.com/smallbiz/tips/archives/2010/11/secure\\_a\\_mobile\\_workforce.html](http://www.businessweek.com/smallbiz/tips/archives/2010/11/secure_a_mobile_workforce.html)

## Risk management checklist for reconfigurations and renovations

Commercial space reconfigurations and renovations require upfront planning and teamwork between the property owner/manager and the tenant. Critical issues should be addressed early on to avoid costly issues mid-project or beyond. To assist property owners and managers assess the potential risks, Zurich has put together the following checklist:

### Property

- Is lighting sufficient for the new area or does lighting need to be moved?
- Does the new configuration meet the minimum 100 square feet per person as recommended by the Life Safety Code?
- Does the air handling system need to be reconfigured?
- Is the electrical system sufficient for new configuration?
- Do fire sprinkler heads need to be relocated so they are not obstructed?
- Do fire alarm pull stations or detectors need to be moved?
- Are drains being covered over in new configuration, or are areas being added that would require a drain?
- If other tenants are sharing space, have evacuation and emergency response plans been discussed with the tenants?
- Have elevators been programmed to allow access for contractors only during working hours?
- Have the contractors doing the work been cleared and are they readily identifiable (by company logo or color-coded shirts)?
- Is your insurance updated with an accurate property description?

### Personnel

- If staff will move their own equipment and belongings, is there proper material handling equipment available?
- Have background checks been performed on contractors and subcontractors, including insurance coverage?
- Is new office furniture ergonomically correct?
- Does the new configuration consider glare from the sun coming in through the windows?
- Do evacuation instructions need to be revamped?
- Are clear exit paths still defined in new configuration?

- Has staff been retrained on location of exits and evacuation instructions?
- Have any slip, trip and fall hazards been identified?
- Is there a planned review of the new workspace once occupied for a given period?

## Privacy

- Do extra security safeguards need to be enacted to protect sensitive data (either phone conversations or written information) in the new configuration?
- If space is currently occupied, have staff been advised of safeguarding their data and other company and personal items?
- If the space will be shared between tenants, are there safeguards to prevent tenants from being able to access the other's space?
- Has IT considered deploying comprehensive endpoint security to check endpoint devices for spyware and malware?
- Are user devices adhering to defined corporate security policies before, during, and after network connection?
- Has there been encryption of sensitive data and log file access to ensure that data is not compromised if a mobile device is lost or stolen?
- Do mobile devices have an automatic filter and deletion of SMS spam through pre-defined, configurable settings?
- Has network access been restricted for noncompliant or potentially infected devices?

The checklist is a starting point for assessing the risks of space reconfigurations and renovations. If one of your property locations is undergoing a large-scale change, it's always a good idea to have a professional risk engineer inspect the property and recommend the appropriate risk management mitigation strategies and insurance coverage.

## Zurich

1400 American Lane, Schaumburg, Illinois 60196-1056  
800 382 2150 [www.zurichna.com](http://www.zurichna.com)

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