Data center decommissioning and retooling risks | Marsh

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A data center retooling, migration, decommissioning, relocation, or consolidation project does not just alter the infrastructure; it changes the asset's risk profile.

Growing AI adoption and other high-performance workloads are forcing many existing data centers to operate beyond the power, cooling, and configuration standards for which they were originally built. Meeting today's demands often requires upgrading cooling, power, and equipment within existing sites.

These changes do more than alter a site's technical configuration. A retrofit, migration, or decommissioning project can materially change the asset's risk profile. And unless the existing insurance program is updated to align with evolving risks, there is the possibility of potentially costly gaps in coverage.

Exposures are often most pronounced during transition, when a site is neither fully under construction nor fully operational.

Addressing the potential risks requires a clear understanding of the challenges and a strategic action plan to address them before they become financial considerations.

Our team of data center specialists may help you better understand and address your transition risks. Fill out the form below to learn more.

Common pressure points during a data center retooling, migration, or decommissioning include:

- Phased works while part of the site remains operational
- Partial handover, sectional completion, or partial occupancy
- Increasing asset values and equipment concentration
- Temporary power or cooling arrangements

Why retooling changes the risk profile

Retooling an existing data center for today's demand usually means several changes happening at once, often while the site remains occupied and generating revenue.

This can substantially change the site's risk profile. Higher-density environments can place more high-value equipment into a smaller footprint, increase heat loads, change electrical dependencies, and raise the severity of a loss in case of a catastrophic event.

Even if the building itself does not change, the exposure inside it often does. For many

organizations, especially those without a dedicated risk function, that change in exposure can be easy to miss until the risk becomes a loss.

The real exposure sits in the transition

The most challenging part of a retrofit is often the transition window — when a site is neither fully under construction nor entirely operational. And this phase is difficult to avoid.

Most retooling or migration projects do not move in neat stages. One part of the facility often remains operational while another is being modified. Different contractors and specialist vendors may be working at the facility alongside operations teams. New equipment may need to be installed and tested before legacy systems are decommissioned. In many cases, tenants remain in occupancy while the data center changes around them.

Many insurance structures assume a cleaner handoff than these complex projects typically require. When projects involve a phased completion, temporary systems, or partial commissioning, the transition itself can become a distinct exposure.

Migration, decommissioning, and relocation create an added layer of risk

Data center migration, decommissioning, relocation, and consolidation projects are usually planned around technical execution: moving workloads, retiring equipment, and reconfiguring dependencies, all the while maintaining service continuity.

But these projects can introduce a distinct layer of risk. Equipment may be removed from controlled environments, stored temporarily, transported, reinstalled, or disposed of. Responsibility may pass between multiple parties. At the same time, continuity expectations, contractual obligations, and liability assumptions often remain in place.

The result is often a more complex exposure profile than the project plan alone suggests.

Key risks can include:

- **Physical damage in transit and handling**. Equipment can be exposed during packing, transport, temporary storage, and reinstallation.
- **Continuity risk during the move**. Cutovers, sequencing changes, partial shutdowns, and delays can create business interruption exposure.
- **Contractor and third-party liability**. The involvement of multiple stakeholders may create overlapping responsibilities and potential gaps in liability allocation.
- **Environmental liability**. Decommissioning can involve replacing battery-powered equipment, fuel-related systems, cooling infrastructure, and other regulated materials that require compliant handling, disposal, and documentation.
- **Contract mismatch**. Liability provisions, insurance requirements, and practical control of the work do not always align cleanly across project documents, vendor agreements, and existing insurance structures.

These exposures should be assessed alongside the site's existing operational risks, with the insurance program reviewed to determine whether it still fits the asset in transition.

Our team of data center specialists can help you address potential gaps in your risk and insurance strategy

Closing the handoff gap with Nimbus

A phased retooling or expansion can blur the lines between construction and operations at the moment when a site is carrying some of its most complex exposures. Because projects rarely move through a clean handoff, coverage may need to be adjusted to reflect evolving risks.

Marsh's Nimbus was created to provide lifecycle-spanning construction protection through a single policy structure designed to follow the asset from build to operations, including delay in startup coverage and the transition from builder's risk to operational cover.

Nimbus offers up to US$2.7 billion in limits, inclusive of delay in start-up and business interruption coverage, for major data center construction projects. Supported by a panel of A-rated insurers, Nimbus is designed to help data center owners, developers, operators, and their capital providers manage the risks that come with large, fast-moving digital infrastructure projects.