



Property Risk

Vacant Buildings Pose Risks, Insurance Challenges

OFFICE AND commercial building vacancies have exploded since the COVID-19 pandemic hit, leaving many buildings completely empty of tenants or partially occupied.

According to the website *Statista.com*, the average vacancy rate for offices nationwide in the first quarter of 2022 was 12.3%, which is an improvement from 17.4% in the first quarter of 2021.

Unfortunately, when buildings stand vacant they become susceptible to a variety of problems. Vacant properties receive little or no maintenance, attention or security. This can lead to costly problems and loss of insurance coverage.

The dangers

There are roughly 31,000 fires in vacant buildings annually, resulting in dozens of deaths, hundreds of firefighter injuries, and an average \$642 million in property damage.

When vacant buildings receive little or no attention or security, it can lead to problems such as:

- Vandalism
- Theft of fixtures and materials
- Drug use and homeless encampment
- Fires
- Toxic substances on the premises contaminating soil.

Insurance implications

Property insurance policies typically state that if a building is vacant or unoccupied for a certain period – typically 30 or 60 days – then the policy won't cover certain losses, such as damage due to vandalism and malicious mischief. In some cases, the policy may be cancelled if it's vacant for a certain period of time.

If you are faced with one of your properties suddenly vacant, revisit your insurance policy to see if it has a vacancy exclusion and if so, what it says. Some levels of vacancy may be acceptable in some policies.

If the building will stay vacant or unoccupied, you should notify the insurer. That notice will probably lead to a repricing of the policy, but the insurer may also change or cancel the coverage.

If a building is largely vacant, the standard commercial property insurance policy reduces loss payments by 15% for most causes of loss and will not cover some specific losses, such as:

- Vandalism,
- Water damage,
- Fire,
- Glass breakage, and
- Theft.

If you have concerns about a vacant property and what your next step should be, feel free to call us.

PROTECTING YOUR PROPERTY

- Visit the property at least weekly, or hire a property manager.
- Clear the exterior of the building of scrap wood, paper, cardboard and brush.
- Remove any toxic substances that could contaminate the area or harm police or firefighters.
- Maintain sidewalks and parking areas in good condition and clear them of snow and ice.
- Erect obstacles to keep cars and pedestrians out of parking lots.
- Hire security guards to watch the building at night, and have exterior lighting turned on.
- Maintain heat or drain the plumbing system to keep pipes from bursting, but keep at least a minimum temperature in areas protected by automatic sprinkler systems.
- Maintain electricity supply to emergency lighting and exit signs.
- Shut off utilities, except where necessary to power desired lighting and alarm systems.
- Maintain fire detection systems and link them to a central station monitoring service.

A vacant building is never a good situation, but with the proper precautions, the owner can maintain its value and keep it secure until new tenants move in. ❖