**PROPERTY INSURANCE – VACANCY AND UNOCCUPANCY CONCERNS**

The COVID-19 pandemic has forced businesses across the United States and around the globe to shut down operations, meaning buildings, premises and worksites are idle or largely unoccupied for an unexpected and prolonged period of time.

Because of this, we want to bring to your attention the conditions and provisions regarding vacant buildings that are contained in most property insurance policies.

Your property insurance contract almost certainly has a condition regarding notification of vacant buildings stating that for coverage to remain in effect, the insurance company must be notified of any vacant building in writing prior to the 60th consecutive day and existing fire protection devices or watch or alarm services must remain operational.

There are special provisions in commercial property insurance policies pertaining to “vacancy”. The manner in which building vacancy is treated by insurers can be understood by referring to Building and Personal Property Form CP 00 10, drafted by the Insurance Services Office (ISO). The provisions of independently developed forms used by some insurance companies are similar but should be checked for specifics.

ISO's form contains a vacancy clause that restricts coverage by excluding losses caused by theft, attempted theft, breakage of building glass, sprinkler leakage (unless protected from freezing), vandalism or water damage for more than 60 consecutive days.

"Unoccupied" in some insurance company forms means that the customary activities or operations at the covered location are suspended but business personal property has not been removed. The term "unoccupancy" is no longer used by ISO, as it had been in previous editions.

An optional Vacancy Permit Endorsement (CP 04 50) is available to add back coverage for vandalism and sprinkler leakage for a specified time limit.

Note that payment for losses caused by perils other than those specified is reduced by 15% under the ISO property form. This is included because buildings that are vacant for extended periods are vulnerable to vandalism and arson, partly as the result of only occasional maintenance and security oversight.

The policy definitions of key words are critical in determining the scope of coverage.

When the insured is a building owner under ISO's CPP coverage, "building" is defined as the entire structure. The building is considered vacant when 70% or more of its square footage is not rented or is not used to conduct the customary operations of the insured.

When the insured is a tenant, the definition of "building" is the unit or suite that has been rented or leased to the tenant. It is considered vacant when it no longer contains enough business personal property to conduct the customary operations of the insured tenant.

In summary, commercial property insurance policies in general contain a condition limiting or reducing coverage for certain causes of loss on a described building that is vacant beyond a period of (usually) 60 consecutive days, unless otherwise provided in writing.

Paying attention to this important coverage provision and loss prevention will minimize claim problems.

It is essential that you notify your agent or broker at Starkweather & Shepley whenever your property is vacated. Please contact your agent to discuss the status of your building as a Vacancy Permit Endorsement may be needed. It is important to understand these pertinent policy provisions and the need to maintain protective safeguards and initiate other loss prevention measures.