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Unforeseen risks arising from foreclosed properties

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As you may be aware, a recent news article noted that a large multi-national bank is being sued for $15 million for negligence following a robbery and homicide at a vacant building owned by the bank through foreclosure. Liability coverage for bank owned/foreclosed properties is handled quite differently from bank to bank, and coverage limits available may be insufficient to cover this type of catastrophic liability claim. The most effective way to ensure you have adequate protection for liabilities arising from foreclosed/bank owned properties is to endeavor to arrange coverage through your corporate general liability and umbrella program. However, as many insurers are unwilling to do this, you would have to either rely upon a pre-arranged program through which you report monthly, or purchase coverage on a case-by-case basis. With either alternative, the limits and breadth of coverage may not be sufficient.

Your insurance representative can play a critical role in securing coverage for these properties within the bank's corporate umbrella program or can advise if your general liability policy provides protection. Remember, there is significant variance in the treatment of this exposure across the banking industry and the number of properties owned through foreclosure has increased significantly in this economy. The key to properly managing the risk is understanding your actual exposure to such a loss, evaluating your available limits on an annual basis, and continuously reviewing your foreclosure practices and site security to limit potential incidents at your foreclosed properties.

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