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Beware of insurance restrictions for vacant/ unoccupied properties

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Pick up any newspaper these days and you will undoubtedly find at least one headline relating to a company or business that is suffering from financial problems and may have to close its doors or incur layoffs in order to stay afloat.

From a property insurance perspective, it can be extremely problematic for building owners and property managers when a tenant suddenly closes its doors and ceases operations. Unless the property can be re-rented quickly, which is becoming more and more unlikely in this economy, your property insurer may deem the building to be vacant or unoccupied once the tenant has begun to move its property out of the premises.

When a majority of the building or premise is deemed to be vacant or unoccupied by your insurer, a building owner or property manager could find that the premise is uninsured or underinsured due to policy conditions or exclusions. Some policy terms could exclude loss caused by such perils as theft and vandalism.

Since policy terms can vary greatly, building owners and property managers should review their property policies carefully to determine if they include any vacancy restrictions and understand how and when they apply in order to develop an appropriate strategy for property protection.

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