



Vacant Buildings - Coverage Changes and Monitoring

Vacant buildings pose more challenges and risks than we may realize. Initially, the building is emptied of all equipment/assets and employees or departments are appointed to visit on a regular basis (weekly, monthly, etc.). Over time, the importance of monitoring can wane and suddenly the building is barely monitored. Without consistent oversight, issues like fire hazards, vandalism (broken glass), theft (metal and copper), and unauthorized access (squatting) can become more prevalent, leading to higher costs for repairs required to sell or renovate the building.

A recent total loss of a vacant building after 8 years underscored the importance of reevaluating the Fund's policies regarding coverage for vacant buildings.

Under the Fund's previous vacant building policy members were required to:

1. **Report the Building:** Notify the Fund and complete a vacant building questionnaire.
2. **Initial Coverage:** Property coverage was maintained with no changes for the first 120 days of vacancy.
3. **Exclusions After 120 Days:** Exclude perils like vandalism, sprinkler leakage, glass damage, water damage, theft, or attempted theft after 120 days.
4. **Optional Endorsement:** Buy back the excluded perils with an additional contribution through the Vacant Building Endorsement.
5. **Replacement Cost Coverage:** Receive coverage on a Replacement Cost (RC) basis, meaning no deduction for depreciation.

At the start of the 2023-2024 Fund Year, the Fund provided coverage for 17 vacant buildings with a total insured value of \$9,871,272. The recent total loss to a vacant building is currently reserved at \$370,177.

Changes to the Fund's vacant building underwriting guidelines were approved by the TCRMF Board of Trustees at the August 2, 2024, meeting and became effective September 1, 2024. The new underwriting guidelines and coverage changes are as follows:

1. **Coverage Change:** After 120 days of vacancy, coverage will shift from Replacement Cost (RC) to Actual Cash Value (ACV).
2. **Demolition Coverage:** Buildings scheduled for demolition will be covered on an ACV basis.
3. **Coverage Timeframe:** Coverage is limited to the Fund year in which the building became vacant plus the following Fund year.
4. **Annual Visits:** Risk Control Consultants may visit each vacant building annually.
5. **Recommendations:** Risk Control will document and send recommendations resulting from their visit to the member and Underwriting.

6. **Exclusion for Non-Compliance:** If recommendations are not implemented within three months, the building will be excluded from coverage.

The Risk Control staff will gladly assist in developing a vacant building monitoring plan to mitigate the risk exposures. A few examples of best practices include:

1. Create a checklist of tasks to perform/items to check during maintenance visits.
 - a. Fire alarm panel (if applicable)
 - b. Fire suppression system riser (if applicable)
 - c. Wrap pipes in preparation of winter months.
 - d. Empty the system as a last resort if the power is off for an extended period of time during a hard freeze.
2. Notify the Fire Marshal and appoint personnel to monitor the building.
 - a. Alarm system (if applicable)
 - b. Conditions of egress doors and windows
 - c. Repair/replace to maintain a restriction of access.
 - d. Assess soffit and fascia for signs of rot.
 - e. Conditions of roof
 - f. Debris removal
3. Replace/repair damaged building components immediately.
4. Remove overgrown vegetation.
 - a. Reduces the appearance of vacancy.
 - b. Reduces limb damage to the roof, walls, and windows.
5. Coordinate with local law enforcement to increase monitoring during the overnight hours.

The TCRMF Board of Trustees established these changes to the vacant building guidelines with several key objectives in mind:

1. **Reducing Serious Claims:** By implementing stricter monitoring and maintenance practices, the risk of significant damage or loss is minimized.
2. **Maintaining Favorable Reinsurance Relationships:** Ensuring that vacant buildings are well-managed helps in retaining good terms with reinsurers.
3. **Lowering Reinsurance Contributions:** Effective risk management can lead to reduced costs for reinsurance, benefiting all members.
4. **Encouraging Future Use Decisions:** The new guidelines may prompt members to make timely decisions about the future use or retention of vacant buildings.

These measures are designed to protect the interests of all members and ensure that vacant properties are managed responsibly.