

## *Managing the Risks of a Vacant Home*



### **Defining "Vacancy"**

A home is "vacant," as defined by the courts, if it does not contain enough furniture for a resident to reasonably live there. So, according to that definition, a home could be considered vacant unless it has kitchen appliances, table and chairs, at least one bed to sleep on, and somewhere to sit (i.e., a couple of living room chairs). If there were no bed or no appliances or no furniture, chances are the homeowners insurer could try to apply vacancy exclusions to the loss. At the very least, a client may have to spend thousands of dollars in attorney fees to contest the insurer's decision.

### **Vacancy and Homeowners Insurance**

There are two problems with a home that is vacant greater than 60 days:

- Vandalism and glass breakage are not covered at all. In fact, newer homeowners forms often exclude any ensuing loss started by vandalism (i.e., vandals burn the house down!).
- Most homeowners insurers won't continue to insure a vacant home. If your policy is canceled or nonrenewed for vacancy reasons, there are only a handful of insurers willing to insure a vacant home. For the customer, either the coverage is very limited but the premium is reasonable, or the coverage is as good as the homeowners policy but the premium cost is 4-5 times greater.

### **Preventing the Insurance Penalties**

The absolute best (and least expensive) strategy for dealing with the homeowners policy vacancy exclusions and restrictions, as well as the risk of your policy being canceled or nonrenewed, is to do what you can to keep enough furniture in your unoccupied home so it doesn't meet the definition of being "vacant." If you're reading this and your home is already without furniture, either rent some furniture or have your realtor "stage" your home with furnishings.

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### **Reducing the Risk of an Unoccupied Home**

Even if you succeed at keeping your home fully insured and avoiding the vacancy penalties, you still face increased risks to your home because it's not occupied. A major loss—even one covered by insurance—would be bad news in your efforts to sell your home, further delaying the sale by months. You can reduce your chances of having a major loss from break-ins, fires, smoke damage, and even water damage from frozen pipes by installing a central alarm monitored for burglar and fire/smoke and adding an optional temperature sensor to protect the pipes from freezing. The alarm will also get you a 10-20 percent discount on your homeowners rates.

Another loss reduction strategy is to either rent your home on a month-to-month basis or have a live-in "caretaker" (i.e., a friend or college student who agrees to care for the property in exchange for housing). If neither of these options is feasible, have someone check on your home regularly.

### **Insuring a Vacant Home**

If there is no reasonable way to avoid your home from being vacant, or if you simply would rather pay the insurance premium and not bother getting furniture in there, you generally have two types of insurance companies willing to insure your higher risk, unoccupied, vacant home. One type is specialty companies that cater to more difficult risks. The other type is surplus lines carriers.