

Unoccupied Properties A Trustees' Guide

If any trust or offshore company structure owns a property that is unoccupied then you need to be aware of the implications on your insurance cover. Insurers have grave concerns over empty properties and will generally reduce the scope of protection, or possibly remove it completely, where properties are left empty longer than a stipulated period of time.

A standard property owners insurance policy (either for residential or commercial premises) will stipulate that the property must not stand unoccupied for more than 30 days at a time (some policies may extend this to 60 days). Should this period be exceeded then underwriters will:

- Reduce the scope of cover, which may be by excluding any damage by burst pipes, malicious damage or theft; and/or
- Impose additional requirements into the insurance contract (such as regularly inspecting the premises) failure of which to follow could void the insurance contract completely.

Insurance companies worry that if a property is left vacant for long periods then it could become attractive to burglars, vandals or squatters. In addition, if a house is left empty for long periods then damage caused by a leaking pipe or other similar problem would not be quickly identified, meaning that the clear up costs would be much greater.

It is therefore important that trustees are fully aware of the occupancy of any properties under their control or management with full details being reported to insurers. This could, for example include holiday homes; rental property awaiting new tenants; a property purchased for re development; or for example, a property in London left empty whilst the beneficiaries are abroad.

Insurers will deem such unoccupied periods as a “material fact” – where failure of the trustees to report such unoccupancy could invalidate the insurance cover. This could ultimately lead to a professional indemnity claim for negligence being submitted to the trustees.

In instances of unoccupancy, it may be possible to negotiate with insurers for a continuance of the full insurance cover subject to certain conditions – for example the premises being inspected on a regular basis, utility supplies being switched off, water and heating systems drained or increased physical security (locks, alarms, etc.). Insurers can be agreeable to maintaining a wider scope of cover in certain circumstances subject to full information being provided to them.

Vantage is a specialist insurance broker to offshore service providers and have a great deal of experience in providing advice and insurance solutions for trust company clients. Please do not hesitate to make contact if you have any property insurance requirements for your client business.