



# Vacant Homes Pose Insurance Risks

*Left Unsold, Owners of Unoccupied Property Should Review Homeowners Policy and Consider Vacancy Protection Options*

**KANSAS CITY, Mo. (Aug. 3, 2010)** — As the U.S. housing market struggles to rebound, many homeowners are stuck with hard-to-sell properties longer than expected. Some frustrated home sellers who must relocate for a new job opportunity, want to downsize or simply want to buy a new place have left homes empty. Vacant or unoccupied homes can leave the homeowner exposed to loss and liability that may not be covered by their insurance, according to the National Association of Insurance Commissioners (NAIC).

The Pending Home Sales Index, released today by the National Association of Realtors, dropped 2.6 percent to 75.7 based on contracts signed in June from 77.7 in May, and is 18.6 percent below June 2009 – another sign of the stagnant housing market.

"In many cases, people who have been trying to sell their homes for awhile have moved forward with their plans regardless, leaving a vacant home on the market," said NAIC President and West Virginia Insurance Commissioner Jane L. Cline. "Having an unoccupied home can create several insurance implications that typically are not covered under a standard homeowners policy."

## The Added Risks of Vacant Homes

Homeowners policies are meant to insure homes that are occupied, so they generally include exclusions for neglect or property abandonment on a home left vacant or unoccupied for a specified number of consecutive days.

In insurance terms, a vacant home is one the resident has moved out of and taken his/her belongings with him/her. An unoccupied home is one where the resident is not staying at the home, but the furniture and other belongings remain.

Because vacant and unoccupied homes pose a higher risk for damage than occupied homes, insurance companies insure these properties differently and usually at a higher price. These risks include:

- **Break-ins:** When a home has been unoccupied for awhile, it can show signs that nobody is around – unkempt lawn, full mailbox, no lights on – that can tip off burglars to an easy target.
- **No emergency response:** Without anyone home to call 911 or respond to emergencies, a manageable problem – such as a small electrical fire – can turn into a much larger, more costly disaster.
- **Property liability:** There is no one present to prevent others from entering the property or to supervise activity, which could increase the likeliness of an accident on the premises or property damage when the owner is not there.

## Keeping Your Vacant Home Properly Insured

The definition of vacancy and unoccupancy can vary from policy to policy. Some insurers may not pay claims if a home is vacant for 60 days or more. Some policies might automatically shift to a

different amount of coverage (e.g. liability insurance only) after a specific number of days unoccupied.

Many homeowners policies have a “vacancy clause” that can be triggered if the homeowner is gone for an extended period of time. If this happens, the homeowner could violate the terms of their contract and some or all of their coverage may not apply in the event of a loss.

“Before you decide to leave a home vacant or unoccupied for a long period of time, talk to your insurance agent or company to learn how they define vacancy and unoccupancy, and whether the company will pay claims if a house is unoccupied,” said Cline. “Be honest about your situation, because while an extra policy might cost more, it could save you money down the road should there be an accident or damage to the home.”

Many insurance companies offer an endorsement that will provide coverage for a dwelling that is unoccupied for an extended period of time. Vacancy policies can also be purchased for different term lengths to cover a few months to a year, depending on the need.

The cost of vacancy coverage depends on the company and state in which the property is located, but costs usually are higher than a typical homeowners policy due to the overall increase in risk.

### **For More Information**

Homeowners can always get more information or explanation about their insurance policies from their state insurance department. Visit <http://map.naic.org> for contact information of your state insurance department.

Get smart about your insurance needs. For more information about auto, home, life and health insurance options — as well as tips for choosing the coverage that is right for you and your family — visit [www.InsureUonline.org](http://www.InsureUonline.org).

### **About the NAIC**

Formed in 1871, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC has three offices: Executive Office, Washington, D.C.; Central Office, Kansas City, Mo.; and Securities Valuation Office, New York City. The NAIC serves the needs of consumers and the industry, with an overriding objective of supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. For more information, visit [www.naic.org](http://www.naic.org).



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For information on protecting your vacant property contact an EHL Personal Risk Advisor at 800.929.1669

