

Policy Spotlight: Vacancy Clause Limits

Does your religious organization have a building that is vacant or unoccupied? If so, be sure to read on.

Typical Industry Exclusions and Limits in Vacancy Clause

Ordinarily, a commercial insurance policy excludes certain perils for buildings that have been vacant or unoccupied for more than 60 consecutive days. Theft, glass breakage, vandalism, and water damage are usually among these exclusions.

“The reasoning is simple,” Paul Stephens, Vice President, Marketing and Risk Management Services for Church Insurance, explains. “If a building is vacant or unoccupied, there are more issues to be expected. For example, if a pipe were to burst in a vacant building, it is more likely that it would go unnoticed and cause significant damage.”

If any loss outside of the exclusions (such as storm damage) occurs in a vacant or unoccupied building, the typical commercial insurance policy would automatically reduce the amount paid out on the claim by 15%.

Church Insurance’s “Kinder” Vacancy Clause

Church Insurance’s Property policy has a vacancy clause, just as other commercial insurers’ policies do. But Paul says that Church Insurance’s clause is often “a little better, a little kinder than what the industry commonly does.”

In 2015, Church Insurance modified its vacancy clause. “We don’t make exclusions of specific perils, such as water damage, theft, and so on,” Paul says. “Very simply, if a loss occurs on a building that has been vacant or unoccupied for more than 90 consecutive days, a 5% reduction on the claim is applied.”

After 180 consecutive days of vacancy (or unoccupancy), a 10% reduction on the claim is applied, and only after 270 consecutive days of vacancy (or unoccupancy) does the industry standard of a 15% reduction on the claim take effect.

Appropriate Approaches to Insuring Empty Buildings

Paul encourages leaders of churches and other institutions to think about the buildings they no longer use. “Give Church Insurance a call and work with us to determine the appropriate approaches to insuring your property,” he says. “We can help you figure out the best method.”