

Empty building or business?

Here's how to manage your risks



Thousands of Australian businesses have been in limbo as a result of pandemic-induced shutdowns.

So, what are your risks and liabilities when your business or building is unoccupied for an extended period?

You might think you need less insurance. But an extended unoccupancy could increase your exposure to risk and financial loss, as well as decrease your building's real estate value. Therefore, you'll need to revisit your insurance protection.

Here's how to go about it.

Unoccupied isn't vacant

An unoccupied property is empty only of people. But vacant premises are also empty of equipment, personal property, etc. As your broker, we can guide you on how these definitions impact your insurance cover and premiums differently.

Most commercial insurance policies will cover you for between 30 and 90 days after your business premises become unoccupied. It's important to keep your broker updated as soon as you know about the period of unoccupancy.



POLICY WORDING

We can help you to analyse and understand your policy wording to discuss your next steps should the building continue to be unoccupied or vacant. You may have to pay an extra excess on claims. The policy may even be cancelled if the building is unoccupied or vacant longer than the periods stated in your policy's wording. That's because your risk has changed.

Maintaining your protection

Covering the damage or loss from your pocket can be expensive. Do you have an online monitored alarm system or security service set up to protect your business? As well, ensure you have advised your security people with another person or two in the business who have the responsibility to respond if you're not available.



EMPTY BUSINESS PREMISES CAN BE A MAGNET FOR BURGLARS OR VANDALS.

Unoccupied, but humming: how's that?

Heating and air conditioning systems may still need to be run. However, turning off cooling towers and condenser water systems means Legionella risks rise, says the Australian Institute of Refrigeration, Air Conditioning and Heating. This equipment will still need regular maintenance. So, before you disconnect power, gas and water, check with your tech experts and legal advisers on what you're obligated to do before you close down.

40%

When premises are unoccupied, the property's real estate value could shrink by up to 40%, according to the CIO of Avari Capital, Alan Liao. However, replacement insurance value is often unaffected and it's important business owners consult with their broker/adviser before reducing their coverage and potentially leaving themselves underinsured.

The insurance you need to have in place if your operations are down

Generally, cover for unoccupied premises can be challenging however you may be able to take out cover for three, six or 12 months. It will protect your liability as well as the building and the contents. Standard cover is for fire, lightning, earthquake and aerial damage. You could also opt to extend that to other risks such as malicious and storm damage.

We're able to advise you about adjusting your insurance to reflect your business changes and suggest flexibility for when you're back in business.

REFERENCES:

Australian Tax Office

<https://www.ato.gov.au/individuals/dealing-with-disasters/damaged-or-destroyed-property/rental-properties-and-business-premises/>

Australian Institute of Refrigeration, Air-conditioning and Heating

<https://www.hvacrnews.com.au/news/buildings-running-on-empty/>

Avari Capital

<https://media.ausbiz.live/cc462e93-98f3-4d0d-abac-549a46275a05>