

MANAGING RISKS IN UNOCCUPIED BUILDINGS AND VOID UNITS

According to The Fire Protection Association, it is estimated that losses in empty buildings - primarily resulting from theft, malicious damage and fire - exceed £100 million each year in the UK.

The current economic climate has seen many organisations cut back on operations and abandon buildings, with landlords facing an increased number of vacant units within their portfolio. Additionally, a recent increase in trend in the theft of building fixtures – electrical cabling, plumbing, lead or copper roofing – means empty buildings are now a key target for thieves. There are several factors that make these properties particularly vulnerable to losses, such as reduced security, and it is important that property owners take all necessary steps to reduce the risks.

- An unoccupied property is an easy target for theft, arson and vandalism
- Unoccupied and empty properties are often overlooked and maintenance slips
- Utilities and other building services are sometimes cut off without careful consideration of the consequences

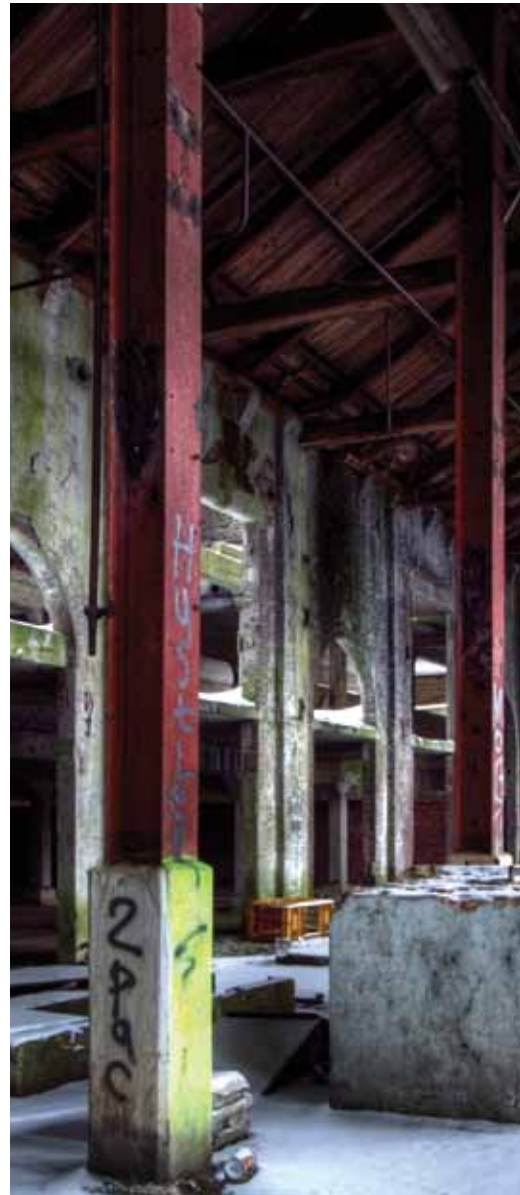
In the case of unoccupied units – where a tenant is still in place under the terms of the lease but may not physically occupy the property – as opposed to void units, landlords can find themselves treading a fine line when it comes to imposing security improvements. As one leading risk manager has commented “Landlords need to be careful about the ‘legal minefield’ with unoccupied buildings. You must avoid the situation where you are seen to be taking back possession of the asset from the tenant because that may allow the tenant to void their contractual responsibilities under the terms of the lease.”

Although many Insurers will seek to restrict cover during periods of unoccupancy, Willis Property Investors Division resists any cover limitations, instead providing guidelines for the management of unoccupied properties. A copy of these are contained at the end of this newsletter.

THE PERILS

THEFT AND VANDALISM

In recent months the number of our clients suffering theft losses from their unoccupied units has risen considerably, with high scrap metal prices driving up the incidence of the theft of lead/copper roofing and flashing from buildings. Unoccupied commercial properties represent a highly attractive target for the increasing number of thieves seeking to strip properties of these materials. Because of the exposed locality of these materials, this form of crime can be difficult to prevent and if it occurs



is often not readily detected – sometimes only becoming apparent after rainwater enters and extensively damages the building or its contents. Our experience has shown that simply replacing the metal after any such loss can result in a repeat incident.

Often going hand in hand with these losses is vandalism. Whether a purposeful crime or a prank, vandalism can result in significant cost, especially if the vandals cause a more serious problem such as fire. A vandalized building can cost the property owner a considerable amount of money to restore, and the loss can have additional implications if the property is currently on the market for let or sale, due to the diminished attractiveness.



CASE STUDY

A client with a substantial portfolio of industrial estates throughout the UK suffered a loss when thieves stripped out the electrical wiring from a vacant unit and sub-station, including wiring relating to the CCTV system, on an industrial estate that was otherwise largely occupied. As a result of the damage caused, the power supply to the whole industrial estate was interrupted and the CCTV system was made inoperative. The incident had potential to cause significant disruption, with some tenants being unable to continue operating until an emergency power supply could be arranged. The insurance policy arranged by Willis Property Investors Division responded to this malicious damage claim and the business interruption which arose as a result, including the cost of arranging a temporary power supply. The costs of final settlement are expected to be in the region of £190,000 including around £50,000 for the hire of generators, which were required for 13 weeks whilst the damage was made good and £9,700 to replace/repair the CCTV system.

FIRE

The Fire Protection Association estimate that every year in the UK, fire fighters are called to attend around 9,000 fires in disused and vacant buildings, with this being one of the most costly perils affecting unoccupied property.

Vacant properties are appealing arson targets because, unless caught, arsonists tend to try repeatedly to burn buildings, and vacant buildings are easier to enter unchallenged. In the UK, arson is the single most common cause of fire in business premises, being the primary cause of 45% of all serious fires. An additional hazard arises when these buildings are used for the storage of combustible materials. The risk of fire with a significant loss of life and/or property is great. A property owner and user have a duty of care to anyone entering the building, from trespassers to members of the fire service. That duty remains constant whether the building is occupied or not, and the key exposure is liability for any injury caused. Much can be done to minimise the risks, by carrying out regular inspections and ensuring any repair works needed are undertaken without delay. It is important that points of access are boarded up without compromising emergency exits and rubbish from in and around the building is removed.

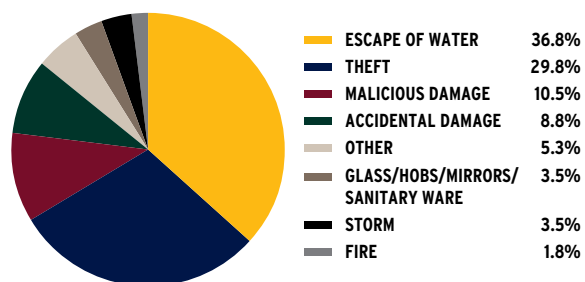
Vacant buildings also pose a threat to nearby buildings and structures. When vacant facilities lack a monitored alarm service and/or on-site security, fires can spread before they are reported.

BAD WEATHER

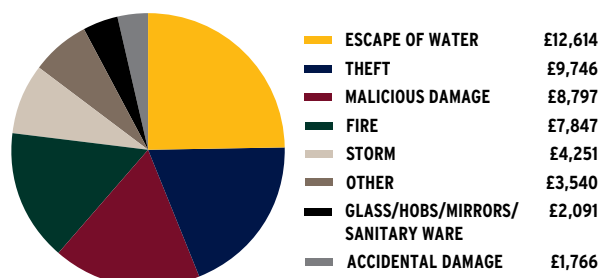
The same severe weather that can damage an active property plant can do the same, and often worse, to an idle or vacant unit. A vacant unit where utilities have been cut off is more susceptible to frozen pipe breakage than a heated, occupied plant. Sometimes when a sprinkler pipe breaks due to freezing and then temperatures rise again, water may flow undetected for days or weeks because waterflow alarms are either out of service or have been disconnected.

Regular inspections and building maintenance are sometimes reduced or eliminated when a building or unit becomes unoccupied, often due to the cost implications involved, and this can create dangerous situations with catastrophes waiting to happen. Lack of roof inspection, for example, could lead to collapse during heavy rainfall or snowstorm because of clogged drains or excessive loading. Lack of regular maintenance could lead to progressive deterioration of the building itself making repairs more expensive or even impossible.

NUMBER OF CLAIMS IN UNOCCUPIED BUILDINGS BY CAUSE



AVERAGE COST OF CLAIMS IN UNOCCUPIED BUILDINGS BY CAUSE



Source: Davies Group Ltd.

PREVENTION IS KEY

To protect against vandalism and theft, security is more important than ever in a vacant property, where the eyes and ears of employees and tenants can no longer be relied upon. The approach to loss prevention can vary considerably. As one risk manager summarised 'a property risk manager will view an asset from the boundary inwards, concentrating first of all on preventing an incident occurring. Insurers often view the risk associated with an asset from the inside outwards, concentrating primarily on reducing the impact an incident will have'.

The question of whether CCTV or manned security is more effective is difficult to pinpoint. One of our clients, represented by an experienced risk manager, has led them to conclude that 'remotely monitored CCTV is a better deterrent to potential thieves and more cost-effective than on-site security. The CCTV Recording and Transmission system should have a UPS or battery back up and include audio speakers. Certainly CCTV has many advantages. The presence of such equipment can enhance the attractiveness of the site to prospective tenants'.

As CCTV is monitoring all areas at all times, it can be viewed as a better solution than manned guarding which is very dependent on patrols and can complicate the health and safety risk on site. As the guards cannot actually tackle intruders, they are only able to report on an incident if it is spotted. A remote CCTV solution can go one step further by addressing the intruders through a PA system before needing to report an incident to the local Police, stopping most incidents at an early stage. Additionally the installation of CCTV removes any possibility of bribery or intimidation that can arise with manned security.

The issue then is one of cost comparison and the best way to gain an understanding is to consider a medium-long term analysis.

For example, on a vacant unit of 24,000sqm, it is estimated that 10 cameras, numerous detectors and an audible address would be required, as well as the installation costs and ongoing maintenance monitoring expenses. Annually, we estimate these costs at £30,000 per year based over five years.

By comparison, the annual costs for two on-site security guards per year are around £93,000. In this case, the potential saving by using remote CCTV amounts to £315,000 over the five years*.

*Costings supplied by Lloyd Asset Protection Ltd.





CASE STUDIES

After lead was repeatedly stolen costing insurers £20,000 each time to replace, remote CCTV was installed on the roof areas of a property at a cost of £15,000. Within one month the system was tested when the thieves returned. The system was alerted of intruders, and an audible address was sufficient to make them leave. They have never returned.

After manned guarding failed to stop the theft of cabling from a warehouse unit resulting in an insurance loss of £750,000, remote CCTV was installed at a cost of £80,000, replacing the annual £108,000 guard costs. When the thieves returned, the system was activated and the managing agent informed immediately. The thieves attempted to cut the power to the CCTV, but the back up allowed a remote download of the incident to enable Police to see the breaking and entry through the front gate. As a result the thieves were removed from the site, and although they made several further attempts to gain unlawful entry, were each time addressed through the audible address system and left.

Information supplied by Lloyd Asset Protection Ltd.

Where CCTV is in place instead of manned guards, it is important to remember that the vacant building should still be inspected at least once a week.

In addition to alarms or security guards, the perimeter of the building as well as the external areas should be properly secured. Ground level and below-grade windows should be secured. All exterior doors should be fitted with deadbolts. When doors and windows have been secured, the roof can be used to gain access. Make sure that roof hatches and vents are locked and provided with corrosion-resistant screens.

Provide ample outside lighting in the yard especially near entry points to the building. Installing several visible CCTV cameras also deters would-be vandals or trespassers. If feasible, consider a perimeter fence if one doesn't already exist and make sure that gates and other entry points are chained and locked.

MAINTAIN FIRE PROTECTION SYSTEMS

The most effective protection a building can have against fire – regardless of how it starts – is automatic sprinklers. It is critical that sprinkler systems, if present, be maintained in good working condition long after the property has been vacated. If maintaining a minimum temperature of 5°C in all areas of the building is a problem, then steps should be taken to ensure that sprinkler pipes (or any other water pipes for that matter) are properly insulated against freezing.

Alarm systems covering sprinkler system waterflow alarms, automatic fire detection, valve tamper alarms and fire pump alarms must remain in service and monitored by an approved central station alarm company.

Other action that can be taken to prevent a major fire loss is to eliminate any unnecessary combustibles inside the building, as well as ignition sources such as wood, textiles or packaging materials. Also, if there are any fire doors in the building, they should be closed to limit the spread of fire and smoke.

Outside the building remove any storage or combustible waste from around the perimeter, and tidy up any garden areas. This includes regularly removing any fly tipping that may be in evidence. Giving a neat and tidy appearance to the property may help deter trespassers.

BE PREPARED FOR BAD WEATHER

The best protection against severe weather for a vacant facility is pre-emergency preparation and planning. Conduct regular roof inspections to ensure that drains are not blocked, and that there are no signs of sagging or ponding. Heating should be thermostatically controlled to maintain a minimum temperature, or consider installing frost-stats to activate heating methods before interior temperatures drop too far.



After a winter storm, inspect the roof for snow accumulation. One of the leading causes of idle and vacant plant losses in severe weather is roof collapse. It is advisable to have a monitored temperature alarm installed to alert someone when building temperatures fall below 5°C.

THEFT OF ROOFING

High scrap metal prices are driving up the incidence of theft of lead and copper materials from buildings. By merely replacing the stolen materials, the likelihood of a further incident is significant. To prevent this, additional security measures need to be undertaken as outlined below:

Hindering Access:

- a) Access to the roof can be made more difficult by installing barbed wire along roof edges and anti climb spikes to downpipes, etc.
- b) Painting downpipes and fixtures that may assist climbing with non-setting paint, sometimes called 'anti vandal' or 'anti-climb' paint.

To help discharge any liability to trespassers that may arise by virtue of the 1957 or 1984 Occupiers Liability Act, both of the above measures should be installed above head height and advertised by suitable warning signs. Where buildings have fragile roofing such as fibre or asbestos, 'Fragile Roof' warning signs should be displayed at likely points of access.

- c) Marking the underside and joints of metal roofing and flashing with a covert and forensically traceable compound. These products are easy to apply, hard to remove and reveal themselves when exposed to ultra violet light. Thereafter, their unique coding can be analysed to reveal the registered address to which the marking compound was supplied. Those in 'grease' form will also transfer to those handling marked materials, thereby further assisting the police in tying suspects to the scene of a crime.
- d) Painting lead/copper roofing and flashing with non-setting paint, in order to make removal a messy task. Whatever method is used, you should post suitable deterrent warning notices around the building.
- e) If your building is overlooked by nearby occupied properties, alert the occupants to the increasing risk of theft of roofing materials and, alongside advice that you are not expecting roofing contractors to attend site, ask that they alert you or the police should they see anyone on your roof.

- f) It may prove possible to adapt existing electronic security systems to better detect theft of roofing, e.g. by installing internal intruder alarm vibration sensors to the underside of the roof, or adding external CCTV cameras to cover vulnerable roof areas, or likely access points to them. Your intruder alarm company should be able to provide appropriate advice.
- g) Whenever an opportunity arises, e.g. after a theft or during general refurbishment work, consider replacing any lead/copper roofing and flashing with alternative materials that are not attractive to thieves, e.g. coated steel sheet, reinforced plastic (GRP), flexible bitumised materials (roof felt); or for flashing the aforementioned materials, cement, aluminium/bitumen foil or a non-lead flashing product.

GUIDELINES FOR THE MANAGEMENT OF UNOCCUPIED PREMISES

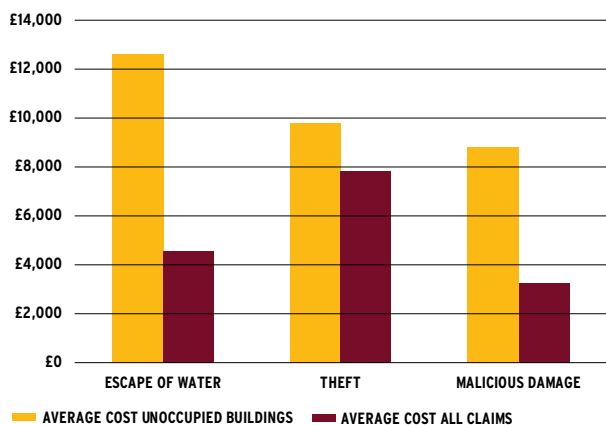
A recurring criticism of insurance advice concerning the unoccupied property risk is that these risk improvements, recommendations and requirements are rarely specific to the particular risk in question. Willis recognises that flexibility must be a key factor in designing the most appropriate protection solution. A combination of the following should form a useful starting point.

- a) From November 1 to March 31 the central heating system to be kept in full working condition with controls set and maintained at an adequate level to prevent freezing and water pipes storage tanks and cisterns in unheated or exposed parts of the building to be adequately lagged or trace heated to reduce the risk of freezing.
- b) Alternatively turn off the water supply at the mains and drain all water systems except sprinklers with disconnection of the supply to be in such a way as to avoid easy reconnection by intruders.
- c) Wherever possible existing sprinkler protection to be maintained with weekly tests continued.
- d) Gas and electricity mains services to be isolated and disconnected other than to maintain security lighting and heating systems with disconnection in such a way as to avoid easy reconnection by intruders.
- e) Portable heaters should be permanently removed from the properties.
- f) Storm water drainage and valley gutters must be inspected and cleaned as soon as the property becomes unoccupied and annually thereafter.
- g) The contents of silos and hoppers containing combustible material must be emptied and removed from the site.

h) The building be kept secured by:

- i. the use of mortice deadlocks conforming to BS3621 or close-shackle padlocks with matching locking bar on all external doors or shutters.
- ii. the use of window locks – where locks are not fitted windows must be screwed shut.
- iii. repairing any broken or defective windows or boarding them externally using 19mm thickness shuttering grade plywood adequately braced and secured against forced entry.
- iv. letterboxes must be sealed and accessible windows and rooflights regardless of the level at which they are installed must be secured.

CLAIMS COST COMPARISON: UNOCCUPIED VS OCCUPIED PROPERTY



Source – Davies Group Ltd

- v. the integrity of fences gates boundary walls to be maintained and site gates and entry and exit doors must be secured by good quality locks.
- vi. existing intruder alarm shall be operational and maintained in efficient working order during the period of unoccupancy with existing central station connections being maintained and existing maintenance contracts continued.
- vii. the building and external areas immediately surrounding the building be kept free of all unfixed combustible materials.
- viii. tanks containing flammable liquid to be drained unless used to fuel any central heating system which is being maintained during the winter period described above.
- ix. any additional requirements put forward by your Insurer be completed within the timescale specified.
- x. Internal and external inspections undertaken at least weekly to ensure that the building or unoccupied portion is secure and that no damage has occurred such inspections to be recorded in writing or full time 24 hour security to be in operation. Except as otherwise agreed in writing by your Insurer.

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