

CHECKLIST

Preparing for the End of the Eviction Moratorium

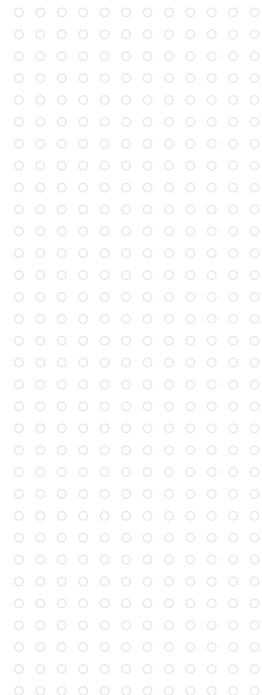
In late August 2021, the U.S. Supreme Court rejected a request from the Biden administration to extend the federal moratorium on evictions.¹

For real estate owners and operators, the decision has far-reaching implications. While bureaucratic delays have meant only a small portion of \$46 billion allocated for tenants has been disbursed, it's unlikely that the money will reach tenants in time to avoid eviction. Given the risks involved, the real estate industry must approach evictions with a light but sure touch.

Below are two checklists — one that shows how to handle evictions (and avoid them in the first place) and one that covers important insurance considerations involving vacant property.

How to Handle Evictions

- Evaluate your screening process.** To reduce the likelihood of eviction proceedings, employ a strong individual risk evaluation to find qualified, trustworthy tenants. Evaluate the strength of credit reports and background checks and consider improved screening with possible tenants—it's important to know why they are moving and their employment status. It may also be of benefit to ask for references from former landlords. Note that there are online property management tools that help landlords stay organized and expedite screening.
- Establish communication with tenants and document it.** This can comprise formal or informal conversations with tenants relating to their rent or financial status. Whatever form it takes, it's essential that property managers document these conversations — doing so creates a paper trail that can show the exact steps leading up to an eviction.
- Undertake thorough property inspections.** Inspect a property or unit before and after a tenant leaves, documenting the before-and-after status of the rental. If there is damage, take plenty of photos as evidence and note any cleaning or maintenance needs. Examine the appliances and check the electrical, plumbing and HVAC. Make note of anything that is not in working order and have it inspected by a third party if necessary.



¹ The New York Times, "[Supreme Court Ends Biden's Eviction Moratorium](#)," August 26, 2021

- **Implement conflict prevention and de-escalation protocols.** Consider training staff on how to minimize the likelihood of conflict and aggressive behavior. Evictions are no easy task and conflicts may arise where de-escalation strategies can help protect your staff and other building occupants during these events.
- **Don't scrimp on security.** Proper security entails more than a chain on the door. Properties in an eviction proceeding need monitoring through cameras and guards, should have access codes changed and other security measures to ensure the property is not damaged and left undisturbed. Key locks should be changed by a locksmith as a tenant exits — immediately.

How to Keep Vacant Property Safe and Insured

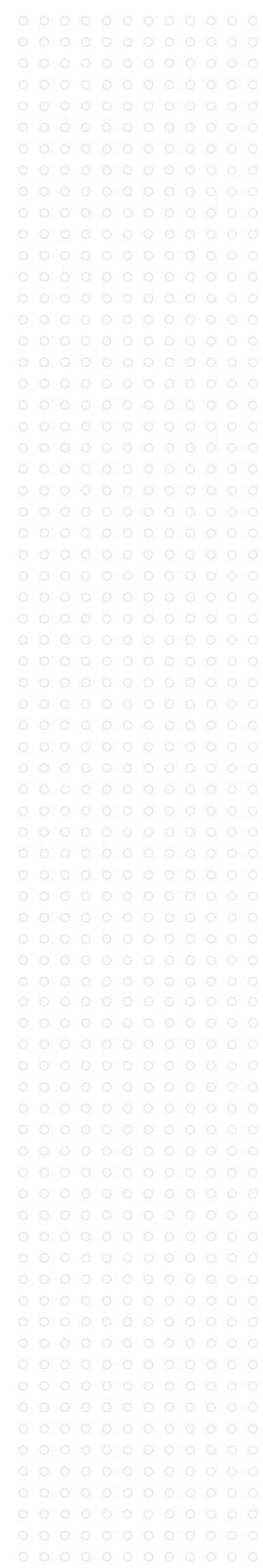
- **Understand vacant versus unoccupied.** To an insurer, a vacant building represents increased loss exposure, comprising a different risk than an occupied or unoccupied building. The occupant's intention to return is often the difference between the definition of vacant or unoccupied. All situations are unique, but a few common questions can help determine the property's vacancy or unoccupied status:
 - Are the utilities still connected and in operation?
 - Has anyone removed equipment and other business personal property?
 - Is the building habitable?

Most commercial properties have insurance coverage restrictions for vacant buildings, and each insurer can determine provisions in their policies. The Insurance Services Office (ISO) 2009 standard commercial property forms **consider a building vacant unless at least 31% is rented or used by the property owner for customary operations.**

If the building is vacant for more than 60 consecutive days before the loss occurs, the policy may exclude coverage for the following:

- Water damage (including sprinkler leakage unless the building is protected against freezing)
- Theft
- Vandalism
- Broken glass
- Sewer back-up
- Damage due to the weight of melting snow or ice

For other covered losses like fire, wind, hail, lightning, smoke or explosions, **payments may be reduced 15% for the majority of losses.** It's critical that building owners be aware of the vacancy provision in their insurance policy — and notify their insurer about the vacancy so proper coverage can be continued under the policy.



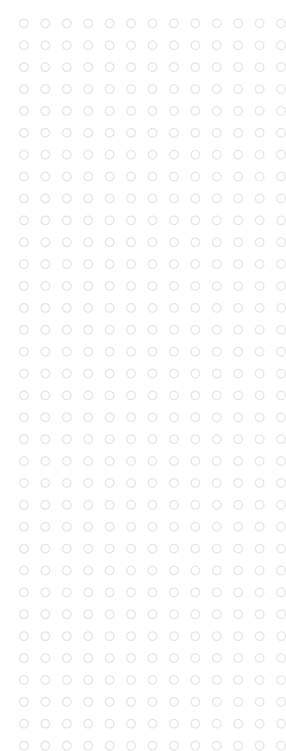
Vacant properties carry a much higher premium rate with significant coverage

restrictions. Unoccupied denotes a property is between tenants and the owner, security, realtors or TI contractors are regularly visiting the property. Unoccupied properties represent less risk than vacant ones. This is especially important to remember if properties are not rented due to COVID-19.

In many major cities, homeless activity on vacant real estate has yielded challenges to owners. Without security patrols, on-site guards, or cameras, portfolios are more susceptible to vandalism and fire losses. Articulate a plan to keep tenants, customers, and assets safe to insurers.

Increase Rental Policy

- Review the Statement of Values months prior to renewal with a contractor. Replacement cost and construction increased 30% last year in some areas. As construction material becomes more available, costs will fall and values should as well. You may have declared lower rental values to insurers in 2020 if tenants did not pay. Review this year's declarations to make sure you're accounting for recaptured rental income for 2021 and 2022 policy years.
- Advise your broker of the occupancy rates of the portfolio and any construction planned to accommodate the redesign of tenant space from one type of occupancy to another (for example, a retail space being repurposed for warehousing).



We're HUB

When you partner with us, you're at the center of a vast network of experts. We advise you on how to confidently identify, quantify and reduce risk through tailored solutions, so that you can protect what matters most: your people, your property, and your profitability.

Contact a HUB advisor today at hubinternational.com/realestate