

Insight: Managing Idle and Vacant Building Risk

Recognizing the Risk

During the past several years there has been a global increase in properties and buildings becoming idle and vacant. This occurs for various reasons such as the company avoiding risk in areas with increased social unrest or as a result of corporate mergers creating redundancy. This idleness and vacancies in properties have also been caused by significant shifts in regional economies, consumer demand changes, and the global transition to more automated and centralized product distribution.

When sites become idle and vacant, the property risk is not eliminated. Values and site liabilities are still present. And should an incident e.g., large fire occurs, the company could be exposed to unanticipated, negative media which can negatively affect a positive brand image.

Vacant buildings or properties (sometimes referred to as “unoccupied buildings/properties”) can be defined as those with partial or no occupancy, staffing, or operations where internal contents have primarily been removed. For example, a warehouse or manufacturing site that has been shut down and/or has had most/all of its contents removed while awaiting a new occupant or tenant. **Idle buildings or sites** can be defined as those with partial or no occupancy, staffing, or operations where machinery and equipment are primarily still in place. In these cases, the building is shut down with no or limited staff but could be reopened and operated relatively quickly if needed. For example, a manufacturing site that still has its contents but has been closed due to low demand or conversion to a redundant site from a corporate merger.; A couple examples of this include a utility power generation peaking site that is only used 1-2 times per year when demands for power increase beyond the capabilities of normal operating sites or a mining and refining operation that has been closed down due to low ore price in the market but is expected to open up again as prices cycle up again in the future.

The risk of theft, vandalism, and other loss to both idle and vacant sites are unique and require increased risk management. Equally important, sites preparing to be vacated also require increased risk management to help ensure an orderly and safe decommissioning process. Sites preparing to restart operations must be recognized for the increased risks associated with resuming production, reenergizing building systems, equipment start-up and recommissioning.

History has shown that idle and vacant facilities can be at a higher loss risk potential for fire, theft and other losses. According to the National Fire Protection Association (NFPA), a study of U.S. fires between 2011 and 2015 showed that fire departments respond to an estimated average of 30,200 structure fires per year in vacant properties. These fires resulted in an average of \$710 million in direct property damage each year. And 6% of reported structure fires overall were in vacant properties. Approximately 43% were in vacant properties that were thought to be fully secured and 61% of the fires in vacant properties had been set intentionally.

Controlling the Hazard

As with any hazard, a thorough risk assessment is critical and should start with areas in buildings subject to change in occupancy - whether the areas are to become vacant, idle or reopen. Critical risk management program elements include:

- 1. Automatic Fire Protection.** All fire protection systems must be maintained in full operational service with regular inspection testing and maintenance per NFPA 25 (or international equivalent) guidelines. In building areas with wet pipe sprinkler systems subject to freezing or where temperatures can potentially drop below 40F (4.5C), special precautions must be taken to prevent pipes from freezing – which can render systems inoperable and cause flooding. This includes buildings where heating systems have been turned off or settings have been changed and areas such as loading docks, open areas with building metal decks, and utility rooms or chases. Similarly, special precautions may be required in building areas where air conditioning has been shut off or settings have been changed creating the potential for excessive building temperatures, especially near metal roofs and windows, that may activate building sprinklers and lead to water damage. Impaired fire protection systems should be avoided

where possible but when unavoidable, such as with remodeling for future occupancy, diligence in impairment management and restoration is critical. See *Insight: Automatic Sprinkler Systems*.

See the AIG Fire Protection Systems Impairment Management Page:

<https://www.aig.com/home/risk-solutions/business//risk-engineering/fire-protection-systems-impairment-management>

2. **Manual Fire Protection.** Manual fire fighting equipment such as hoses and fire extinguishers must remain installed, in good operating condition and with clear access - even when automatic fire sprinkler protection is in service. This includes fire extinguisher spacing with regular inspection, testing, and maintenance per NFPA 10 (or international equivalent) guidelines.
3. **Automatic Fire Detection.** Fire detection systems should remain in service and operational as an added form of early fire detection. Fire alarm reporting systems should remain in service for expedited reporting. And systems should have regular inspection, testing and maintenance per NFPA 72 (or international equivalent) guidelines. See *Insight: Automatic Fire Detection. Find Insights at www.aig.com/riskengineering*.
4. **Good Housekeeping:-** Often housekeeping in idled sites is neglected. Cleanliness in idle and vacant sites must be maintained through an established housekeeping program where all unnecessary combustibles that could lead to added fire risk are eliminated or reduced as much as possible. Oil-soaked rags and flammable liquids, often used in cleanup and maintenance, must be properly disposed of and should never be stored at the site. Spills must be cleaned up immediately. Housekeeping must also include the building's exterior areas. Trash in exterior areas should be removed. All vegetation should be properly maintained, especially near buildings. This is to reduce the fire hazard and to minimize obstructed views in locating potential unauthorized intruders on the property. Idle pallets should be removed from the site or relocated and maintained as far as possible from the building's walls. Outside dumpsters and trash receptacles must be moved away from buildings and secured or removed from the property. This is a common target of vandals. See *Insight: Pallet Storage. Find Insights at www.aig.com/riskengineering*
5. **Emergency Response Preplanning.** Emergency response planning is not just for operating sites. In fact, it should be considered more critical for idle or vacant sites since there are typically no or a very limited number of employees in the facility to activate alarms, notify the fire department, assist in fire department direction upon arrival, or provide manual fire protection such as from fire extinguishers. It is important that local fire departments are aware of idle/vacant sites and that they are informed of site hazards - especially those that have not been removed plus modifications to site access and egress. Local police departments should be notified with the request for additional patrols.
6. **Risk Reduction - Ignition.** A notable portion of fires in vacant and idle buildings are from electrical systems. Critical electrical supplies – such as for security, lighting, alarms, and heating equipment should remain operational. But, where possible, all electrical systems not required should be deenergized. All systems that remain operational should be in compliance with local electrical codes and properly maintained. Equally important is managing other unnecessary risks associated with ignition sources. Smoking should clearly be prohibited in all interior and exterior areas. All hot work operations should be curtailed where possible or closely managed with a permit program managed by company personnel (not contractors). Experience has shown for example, contractors using torches or performing other hot work during equipment removal are less likely to use a formal hot work management program and have been an increased cause of fire.

See the AIG Hot Work Management Page:

<https://www.aig.com/home/risk-solutions/business//risk-engineering/hot-work-management>

7. **Risk Reduction – Security.** All idle/vacant buildings and properties must be as secure as possible from unauthorized intruders. NFPA 730 is a valuable resource for assessment. This includes locking property access point gates and all valves controlling fire protection systems. Once secured, regular site inspections must be made to ensure conditions do not change – such as by contractor activities. This is also critical to detect malicious or unauthorized activity. Security measures should also include basic deterrence measures such as complete sight perimeter fencing, exterior lighting, and CCTV cameras. Exterior areas should have night illumination in good repair with coverage of key areas such as entry points, outside equipment storage areas, and fence lines. Site intrusion alarms should be maintained in the fully operational condition or installed with continuous Listed Central Station (or equivalent) monitoring. Idle or vacant buildings and properties should have regular site visits with rounds made in all areas on a regular basis. Four times and days should be slightly varied in case others are monitoring the site to capture security rounds times, etc. (e.g., the times when there is no one on site). Security personnel and/or those making site visits should be given training on basic fire protection systems operations, fire inspections, and detection. Clear site signage should be installed to deter unauthorized site visitors (i.e., posting “No Trespassing,” “Site Monitored by Security,” etc.). See *Insight: Arson Control. Find Insights at www.aig.com/riskengineering*

8. **Site Restart and Recommissioning.** Start-up of sites after shut-down has historically been a very dangerous time for loss from fire and explosion e.g., fuel-fired equipment. Ensure start-ups are completed per a detailed start up and commissioning program that has been preplanned, reviewed, implemented, and is documented. This includes contractor and equipment reviews to ensure short cuts are not taken as a way to expedite the process.
9. **Natural Hazards.** Buildings and properties may become idle or vacant, but nature never does. Sites are still subject to weather related losses – such as from wind, flood, earthquake, and freezing. These should be considered in both the site emergency response plan and regular site visits and maintenance.

See the AIG Catastrophic Preparedness Page: <https://www.aig.com/home/claims/catastrophe-preparedness>.

Resources / Standards

- (1) NFPA 1: Fire Code
- (2) NFPA 10: Standard for Portable Fire Extinguishers
- (3) NFPA 25: Standard for the Inspection, Testing, and Maintenance of Water-Based Fire Protection Systems
- (4) NFPA 24: Standard for Safeguarding Construction, Alteration, and Demolition Operations
- (5) NFPA 72: Fire Alarm Code
- (6) NFPA 730: Guide for Premises Security

For more information, contact your local AIG Property Risk Engineer.

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