

Best Practices for Foreclosed Properties

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When preparing for the foreclosure of a property, surprises may come up. You could find yourself tasked with many new responsibilities and a checklist of to-dos on the fly, leaving the foreclosure process hectic and tedious. With foreclosures on the rise, these best practices can help keep you on track in the preparation and duration of a foreclosed property.

IMMEDIATELY UPON FORECLOSURE

1. Report the foreclosure to your agent/insurance company to secure both Property and Liability coverage for the exposure.
2. Secure the property to prevent trespassing that could result in vandalism, unintentional damage, or accidents resulting in liability. Post “No Trespassing” signs and notify local law enforcement.
3. Inspect the property for damage, maintenance issues, and document findings. Ensure all windows and doors are securely closed and locked.
4. Consider re-keying locks to prevent re-entry by former owners or those having keys from former owners.

AS SOON AS PRACTICAL

5. Winterize properties either by ensuring heat is maintained or turning off water and draining pipes. If water remains in service, consider opening cabinets under sinks for more access to heat. In hot and humid conditions, ensure sufficient air control to prevent mold or mildew.
6. Updated contact information for any alarms to your designated emergency contact in the event an alarm is triggered.
7. Hire any contractors needed for immediate repairs to secure the home, and make necessary repairs to prevent accidents, further damage, or to ready for sale.
8. Arrange to sell the property.

ONGOING DURING OWNERSHIP

9. Continue exterior maintenance, such as lawncare, removing junk mail/papers.
10. Inspect property regularly – interior and exterior – for damage, document findings and take necessary action to repair and prevent further damage.
11. Continue to inspect and maintain alarm and sprinkler systems.

RISK TRANSFER

When hiring third parties to perform any services on your behalf, it is important to use **written contracts** that clearly outline the work to be performed on your behalf and require the third party to have adequate insurance (specify coverages and limits), list you as an additional insured on their insurance coverages and either have workers compensation coverage or acknowledge 1099 status in their contract. The contract should also hold you harmless from any acts, errors or omissions of the third party, and defend and indemnify you against any claims arising out of the third party's acts, errors or omissions.

Note: These steps can really save you from absorbing a loss that rightfully should be covered by the third party, thus affecting your loss ratio, insurability, and eroding any applicable aggregate limits. Additionally, many endorsements for "additional insured status" require a written contract between the insured third party and their customers in order to trigger coverage under the third party's policy – don't lose the protection on a technicality because you had a verbal agreement.

As always, your insurance agent is your first point of contact. At Intact, we are ready to assist with additional information and guidance to support your risk management and loss prevention efforts, [click here](#) to see our additional article on the importance of reporting a foreclosed property as soon as possible.

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