PROPERTY COVERAGE UPDATES EFFECTIVE JULY 1, 2026: ROOF CONDITION & VACANT BUILDINGS

Strong coverage depends on strong stewardship of shared risk. Across the public sector, two exposures consistently drive higher-frequency and higher-severity property losses: aging roofs and buildings left vacant for extended periods. To help keep the Fund stable and sustainable for all members—and to encourage proactive maintenance and property planning—the Fund is implementing two property coverage updates effective July 1, 2026.

The overall theme is straightforward: when risk increases significantly due to roof condition/age or prolonged vacancy, coverage will step down over time. These changes are not intended to penalize members; they are intended to align coverage with risk, promote timely corrective action, and protect the collective resources that support all members.

1) Roof Coverage: When Replacement Cost (RC) Shifts to Actual Cash Value (ACV)
Roofs are one of the most common sources of property claims because they are exposed to weather, temperature swings, wind events, hail, and gradual wear. When roofs are already in poor condition, or are beyond their expected service life, the likelihood of a significant loss increases, and the cost of repairs can escalate quickly. For that reason, beginning July 1, 2026, roof-related claims will be adjusted on an ACV basis (instead of RC) when a roof is deemed to be in poor condition or past its useful age.

What does that mean in practical terms?
RC generally reflects the amount needed to repair or replace damaged property with like kind and quality (subject to Fund terms). ACV reflects RC *minus depreciation,* which accounts for age and condition. In other words, as a roof ages and deteriorates, the claim settlement may reflect that reduced value.

“Useful Age” Criteria by Roof Type
Because roof systems perform differently depending on materials and construction, the Fund is applying useful-age thresholds by roof type. Under the updated approach, the age criteria for roof-related claims to shift to ACV includes:

- Composite roofs older than 30 years,
- Flat roofs (including fiberglass panels) older than 35 years,
- Metal roofs older than 40 years, and
- Concrete roofs older than 60 years.

These thresholds help create consistency across the membership and provide a clear planning target for long-term capital needs.

Poor-Condition Roofs: ACV Now, Then Coverage Can Be Removed

Age is not the only factor. Condition matters—and roofs that are classified as "poor" (or "failing," where applicable) present a heightened exposure. Under the updated approach, once a member is notified that a roof is classified as poor/failing, roof-related losses will transition to ACV (rather than RC).

This timeline is designed to give members the opportunity to plan, budget, and schedule repairs or replacement. It also supports fairness to the membership by limiting open-ended exposure tied to known, uncorrected conditions.

Restoring Stronger Coverage

The intent is not permanent reduction. ***RC treatment can be reinstated*** once the roof is repaired or replaced to an acceptable condition, consistent with Fund standards. The most important step members can take is to document repairs and develop a clear path toward correction, especially for roofs approaching or exceeding the age thresholds described above.

2) Vacant Buildings: ACV After 120 Days, No Coverage After One Full Fund Year

Vacant buildings create a different kind of elevated risk. When a facility is unoccupied, small issues can become major losses—particularly when water intrusion, HVAC failures, vandalism, or break-ins go undetected for weeks. Vacancy also increases exposure to theft and damage because there is less day-to-day oversight and fewer "eyes on the building."

To better align coverage with this increased risk, the Fund is updating how vacant properties are covered effective July 1, 2026. After 120 days of vacancy, coverage will shift from RC to ACV. Then, if the building remains vacant, the Fund will limit the total duration of coverage; after one full Fund year of vacancy, coverage will end (no coverage).

This phased approach is meant to encourage timely decision-making and reduce long-term exposure tied to properties that are not in active service. It also helps members avoid surprises by creating clear milestones: day 120 and the one–Fund-year mark.

What Members Should Do Now (Before July 1, 2026)

The most effective way to manage these changes is early awareness and practical planning.

For Roofs

Start with a simple inventory of each scheduled building: roof type, approximate installation date (or last replacement date), and current condition indicators (leaks, repairs, prior storm impacts, and visible deterioration). Pay special attention to roofs nearing the thresholds—composite beyond 30 years, flat (including fiberglass panels) beyond 35 years, metal beyond 40 years, and concrete beyond 60 years—because these are the points at which roof-related claim adjustment moves to ACV under the updated criteria.

If replacement cannot happen immediately, do not underestimate the value of interim controls and documentation. Contractor assessments, repair invoices, inspection notes, and photos can demonstrate the steps being taken to maintain the roof and correct issues. Proactive planning is also budget-friendly: emergency replacements tend to cost more and come with scheduling constraints.

For Vacant Buildings

Vacancy management is all about timelines and controls. The most important step is to track the vacancy start date and establish a documented inspection routine early – well before the 120-day mark. Regular walkthroughs (weekly or biweekly), secure doors and windows, appropriate lighting, controlled access, and utilities management are key risk controls. If a building is likely to remain vacant, members should make an early "end state" decision: reoccupy, repurpose, lease, sell, or demolish. The earlier the plan is clear, the easier it is to stay ahead of the ACV transition and the one full Fund year coverage limit.

Quick Clarifications

Can a roof return to RC treatment? Yes. Once repaired or replaced to an acceptable condition, members can work with the Fund to reinstate stronger coverage treatment consistent with Fund criteria.

What if a building is only partially used? If there is any question about whether a property is considered vacant, contact the Fund's Underwriting team early. Classification is easiest to manage when addressed up front.

How Risk Control Can Help

If you are unsure whether a roof or vacant building may be impacted or you want help building a practical plan, please contact your Risk Control consultant or Jeremy Wade (Jeremy.wade@sedgwick.com). Risk Control can assist with roof risk mitigation planning, prioritization guidance, vacancy inspection practices, and documentation strategies that support timely decisions and reduce loss potential.