

Safeguarding Foreclosed Properties: A Smarter Approach to Natural Disaster Risk

As natural disasters grow in frequency and severity, financial institutions face mounting challenges in protecting foreclosed homes and commercial properties. The first half of 2025 alone saw a 25% increase in global insured losses compared to the same period last year, totaling \$64 billion. From wildfires and landslides to tropical cyclones and severe storms, the risks are diverse — and rising.

For lenders, the assumption that borrowers maintain adequate property or liability insurance throughout the life of a loan can be a costly one. In fact, of the nearly 83 million owner-occupied homes in the U.S., more than 13% are completely uninsured.

Non-compliance with lender-required insurance is unfortunately common, and when disaster strikes, uninsured or underinsured properties can leave financial institutions vulnerable to significant fiscal exposure.

To ensure properties retain their value, financial institutions should:

Evaluate Coverages.



When real estate owners (REO) coverage is needed to protect a property, make sure that the insurance also extends to hazards common to the location that may impact the property, such as flash flooding or earthquakes.

Create a Crisis Preparation and Recovery Plan.



This should include preparing a list of who is responsible for ensuring foreclosed properties are protected if they are at risk of a natural disaster. For example, this may involve hiring someone to board windows and stack sandbags to prevent hurricane-related damage and flooding or remove combustible landscaping to reduce wildfire threats.

Address Security.



Looting and break-ins often occur on vacant properties. Make sure the properties are sufficiently secured and contract a third party to inspect and repair damage.

With Tokio Marine Highland, you gain a partner equipped to navigate the complexities of disaster risk management and ensure your foreclosed assets are protected before the next disaster hits.

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