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Risk management has become a growing concern in the field of professional property management

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When First Realty Management was just getting started in business over fifty years ago, insurance was a relatively minor function. Policies were re-bid and negotiated annually, coverage rarely varied, and claims were usually routine.

Even in those bygone days, because the company managed its own properties, First Realty always employed an in-house experienced professional to market the coverage, read and interpret the policies, and coordinate the claims. There was simply too much potential bottom line impact to entrust these matters to an outside salesperson who might not be as motivated to scrutinize details or to invest uncompensated time in helping clients choose the most appropriate coverage. Some managing agents simply don't have the time or expertise, and rely on salespeople to advise their clients.

Times may have changed in the intervening decades, but the underlying principles have not. The perils and pitfalls of exaggerated and fraudulent claims, gaps in coverage, and huge liabilities for situations unknown in the past continue to be ingredients for disaster. Still reeling from multiple hurricanes, earthquakes, tornadoes and flooding, the insurance companies are getting tougher, not just in settling claims, but also in policy exclusions. What may have been routinely covered isn't, and it may take a sharp eye on the fine print to discern the difference.

For example, most people used to know to ask, "Are so-called acts of God covered?" But what about acts of terrorism? They may have been covered automatically, but many policies now have stricter definitions or exclude them. And how about liability for terrorism? This was unthinkable fifty years ago, and now must be considered by multi-family property owners and condo boards whose resident screening procedures may not pass muster after an incident. Pollution coverage is another new risk that must often be covered separately thanks to some major toxic mold settlements.

Disaster and emergency response planning are also key functions overseen by an in-house risk manager. According to First Realty's risk manager, Frances McDriscoll, the current "gold standard" is to use an industry-approved manual, supplemented by site specific emergency information and contacts that are updated at least every year. McDriscoll also oversees some of the company's loss prevention initiatives, which often help to achieve savings on premiums. These include daily and weekly physical inspections, close monitoring and follow-up on inspection reports, a safety incentive program, and training client's staff in identifying risks and taking immediate action to avoid them. First Realty's in-house human resources director has established an incentive program which has helped reduce on-the-job injuries.

Contract review is another function that is increasingly becoming a risk management concern. It's not simply a matter of getting an insurance certificate from every contractor. At First Realty, an automated system tracks expiration dates to make sure that there are no lapses in coverage. The

risk manager scrutinizes the liability deductibles, as a large amount renders the certificates useless for settling any claims below that amount and the property could be exposed to a huge payment.

The amount of insurance required is calculated based on the tasks associated with the contract. A roofer, a hallway cleaner, a landscaper or snow removal contractor all have different insurance requirements, and their various policy coverages should reflect not only bodily injury and potential damage to property but also the degree of hazards that would contribute to liability and worker's comp claims. Sub-contractors muddy the waters even more, as the state requires worker's comp coverage for employees. The certificate of insurance must be reviewed for all appropriate coverages. Each category has ins and outs that might not be apparent. McDriscoll said, "Pesticide/herbicide coverage is an obvious example. You shouldn't hire a landscaper without it."

First Realty Management is an Accredited Management Organization® that manages over 6,000 units of every type of multifamily property, from condominiums to tax credit and affordable rental housing.

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