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Hope for the best; prepare for the worst - by Spencer Macalaster

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Spencer Macalaster
Risk Strategies Company

Many of us don't think about what will or won't be covered by insurance until it's too late. Whether due to unexpected or catastrophic storms or less dramatic, relatively expected issues and incidents, buildings are susceptible to damages both inside and out. Those in the real estate business – buyers, sellers, managers and developers – can mitigate losses with some common-sense tactics and basic preparation. Preparing your property and your policies for the worst is the best way to face the unexpected.

Earth, Wind and Fire

The most common claims that come across my desk stem, in one way or another, from weather, with water and wind damage topping the list for typical weather-related claims in climates both cold and hot. For instance, the Northeast faces threats of burst pipes and exploding sprinklers in the colder weather. And structures in high-wind zones such as Texas and Florida are particularly susceptible to roof and other outdoor damage from trees downed by wind.

While these type of incidents certainly can't be qualified as everyday wear and tear, they are far from uncommon and property owners should stand ready to reduce the risk and remediate incidents. Proper weatherization and prudent landscape management are obvious, and vital, preventative for winter and windstorms.

Still, you can't prepare for everything because damage and claims often come from unfortunate happenstance or tenant neglect. Leaking dishwashers, clogged drains and broken washing machines cause harmful water damage, and left unsolved, can create larger problems – i.e. mold, which is not covered under standard property insurance.

And let's not forget fire. You might be thinking wildfires, but from 2017-2020, hundreds of thousands of buildings in the US have caught fire due to cooking equipment, causing billions of dollars in property damage. Add in sources of ignition outside the kitchen - space heaters, smoking and curling irons – and those numbers go up quickly.

Expect the Unexpected

Natural disasters are sharply on the rise, 2019 and 2020 were a record-setting years and 2021 is right on its heels. Hurricanes, earthquakes and floods are considered catastrophic events. Damage from these events are not covered in the way damage from a standard Nor'easter is; you will need to carry additional sublimit to protect your property and assets.

Get Ready

No matter the risk, there are a few universal truths to reducing risk and being covered on important claims. Here are some best practices based on my experience:

- Evaluate storage. Critical systems aren't pretty, but they're called critical for a reason. Before you install or store them in a basement area, out of sight (and mind), evaluate the risk. Basements are

usually the first to flood, the first to catch fire and the last to be maintained. Keeping your most important assets up higher can reduce future losses.

- Prepare communications. Implement a proper communication model and response plan that makes it easy for tenants to immediately notify you of potential problems. Additionally, put your service providers on speed-dial to effect repairs as quickly as possible.
- Don't rush. You've had an issue on-site, and you need funds. But filing claims too soon often leaves money on the table. Work closely with the engineers on your claim team before proceeding with notifying your carrier of a loss, so the cause and full extent of the damages are accounted for, substantiated and disclosed properly. This will ensure a maximum refund.

Spencer Macalaster is executive vice president and real estate practice leader with Risk Strategies Co.,
Boston, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540