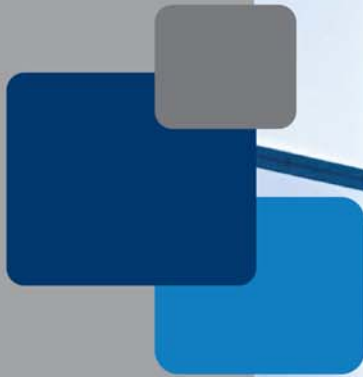


Protecting your Ass(et)-

Why Risk Management Needs to be at the Top of your To-Do List



Experience & Guidance From:

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Protecting your Ass(et) - Why Risk Management Needs to be at the Top of your To-Do List

There is an unavoidable situation for commercial real estate owners and property management firms. The simple world of ensuring day-to-day operation in properties is gone forever. Companies need to look long and hard at the emerging arena of risk management. Otherwise, their ass(et) can be in serious jeopardy.

In this article, we'll explore a few key areas of this important topic.

State of Risk Management

More attention is being paid to risk management today because of the economic downturn. That may seem counter-intuitive as there is a real cost to risk management. But commercial real estate owners and managers are now much more concerned with the hazards and risks inherent in missing important liability exposures in their building or portfolio. Today's owners and managers are not only concerned with the cost of their insurance, but with the cost of uninsured loss.

As a result, risk management practices have gained higher focus. Firms of all sizes are increasingly interested in implementing strong risk management practices, policies, and procedures.

Why Risk Management?

The world has changed.

Today's property owners and managers have to deal with issues of transparency that are top-of-mind with investors, as well as oversight by investment and SEC regulators.

Natural disasters play an important role, such as earthquakes in Australia, the tsunami in Japan and floods and tornadoes here in America.

Kathy Nickerson, Senior Vice President at Robert M. Currey & Associates, an outsourced risk management consulting firm in Boston commented, "Terrorist and natural events have opened the eyes of many property owners and investors. They said, 'Wait a minute, if all those things are happening out there to others, how prepared are we to withstand a loss of that nature?'"

"There has been quite a bit of focus on resiliency in the past 12-18 months from the White House. Resiliency is currently a hot topic, and people need to be alert to what it takes to be resilient and whether our communities are resilient. It's a dynamic, changing environment that we live in in this industry. It's exciting!"

Joe Donovan, SVP, Beacon Capital



How do we get started in risk management?

According to Nickerson, the place to start is evaluating and documenting what is in place currently for risk management procedures:

- Who's responsible – internal employees or outside contractors?
- Are you relying on insurance brokers or carriers?
- How do you know that you are doing the right thing?
- How do you know that you're properly insured?

Every area of exposure to loss must be examined, and not just insurance. Make sure you have all the practices in place, the contractual transfers, the management and operational facilities oversight. Your goal should be to minimize the chance that you will have a loss because someone wasn't paying attention.

Once the key processes are reviewed and documented, then it's time to start looking at insurance. You'll need to evaluate what insurance coverage levels will provide the maximum liability insulation at the lowest cost. A broker or consultant can help you here.

The Property Manager's Role Has Changed

"When we started our program in 2004, we would interview property managers or firms and we would hear the age-old response to what their job was.

The property manager would respond, "My responsibility is to put together a budget, put out financial statements, pay the bills, collect the rent, keep the lights on, and make sure that the HVAC and the cleaning is being done on a regular and continuous basis."

With the downturn in the economy and other pressures, there has been a shift. Depending on where you are in the United States - especially in tier-one cities - I would say that security and preparedness has moved right to the top of the modern property manager's list."

Joe Donovan, SVP, Beacon Capital



What are best practices in risk management?

Today's smart managers look at all areas. This starts with a review and assessment of the physical condition of your properties and physical assets.

- Are they properly protected?
- Are they properly maintained?
- Are they in areas that are prone to terrorism, or wind events, hurricanes, or flooding events?
- And – and what needs to be done to minimize the potential that a loss could impact the building.?

Contract reviews might be the next task. As a property owner or manager you have contracts with many different individuals – general contractors, tenants, vendors, loans, insurance, etc. Those people are part of your risk management program, so you need to ensure you are protected with each of them as well.

You should also look at building history when you acquire a property. Have there been problems with habitation? Have they had losses in the past? What programs for risk management are in place today? The past is a good predictor of the future.

The next area to consider is people. You have a duty to protect the public – so make sure you have tested emergency procedures for evacuating the building. Look at signage, emergency broadcasting, lights, first responders, etc.

Bottom line -- risk management is a very broad area, so start with a few key areas and break it into manageable pieces. Don't forget to protect key people – directors and officers. You need to protect their professional liability.

Can technology assist in risk management?

Technology has certainly lightened the risk management workload. **Building Engines (www.buildingengines.com)** for instance, has an online property and tenant management system that includes tools for managing contracts, Certificates of Insurance, broadcast messaging, and fire and life safety. Need to pull a contract and review the wording immediately? Need to confirm a you have the required COI from a tenant or vendor? Need automated reminders when COIs are up for renewal? No problem.

No matter how many locations you have - 40, 50, 60, 200; a tool like Building Engines becomes the central filing system of record. An online system can be accessed anywhere, anytime from everyone on your team!

Online meetings have also been an important technology change. Online training saves people from traveling time and cost. You can teach a class on Certificates of Insurance – a critical element of risk management – quickly and cost effectively online.

Mobility has been an important change too. Your team can now execute almost all daily property management tasks on-the-go from their mobile device (iPhones, Blackberry's, tablet computers, etc.).

Results from risk management initiatives – How Can We Know It's Working?

It's important to test your program. If you wait until the "What If" event becomes a "What Now" – it's too late.

Document everything about your emergency preparedness, training sessions, personnel, etc.

One of the most common problems is water damage. Pipes break, sprinklers leak, water flows down. If not treated quickly, water claims become quite large. So, developing procedures for dealing quickly with water leaks is an important consideration.

"One of the things that we are frequently amazed at is when we compare companies who do have good risk management practices to companies in the same industry who don't necessarily pay as much attention to it. The loss histories between the two are dramatic, and that loss history relates to expenses far beyond just that loss."

Kathy Nickerson, SVP, Robert M. Currey & Assoc.

More Information

To access microsites with additional information about commercial real estate risk management best practices please click <http://www.buildingengines.com/operational-best-practices>. You can access archives with Joe Donovan of Beacon Capital (www.beaconcapital.com), and Kathy Nickerson of Robert M. Curry & Associates (www.robertmcurrey.com).

To learn how an online property and tenant management system can help you execute your risk management best practices, through online document and COI management as well as work order, preventative maintenance and other property management services, please visit www.buildingengines.com.

Building Engines empowers you to capture and communicate all the daily tasks of operating a property.

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- Automate the management of maintenance & assets
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- Communicate more effectively



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