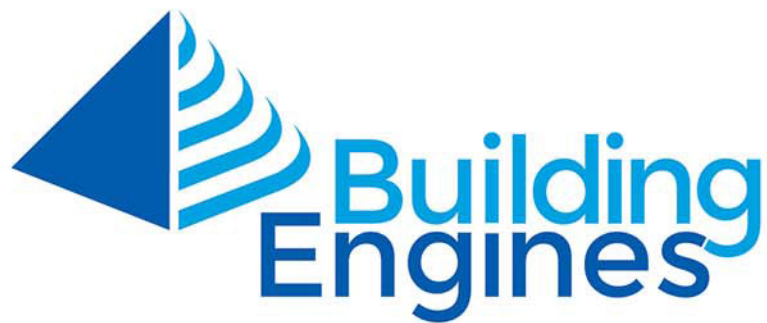


# The CRE Guide To Managing Operational Risk

## 2015 Survey Benchmark Report

Survey results and report on CRE Operational  
Risk Management practices and trends.

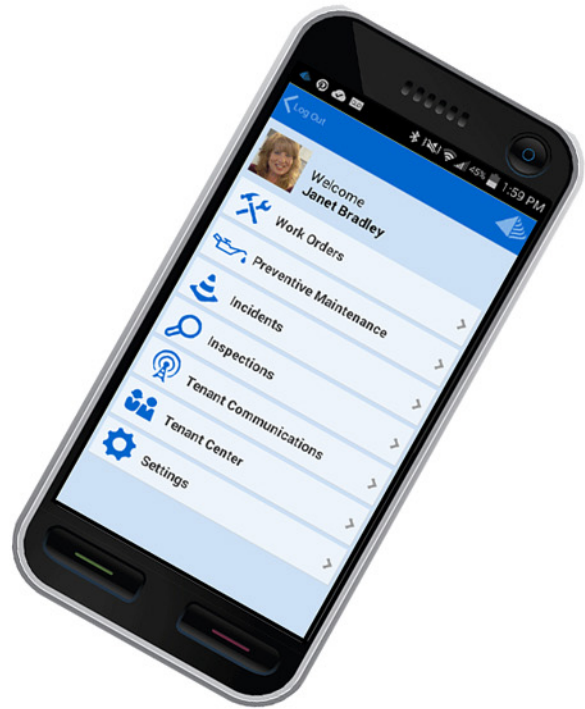




## Building Engines' Unified Property Management Software

### Easy. Powerful. Complete.

Building Engines supports innovative commercial real estate owners & managers with web & mobile property management software that creates the visibility & control needed for more profitable operations, happier tenants and an identifiable brand.



#### Tenant Service



Work Order



Tenant Portal



Tenant Handbook



Resource Scheduling

#### Maintenance



Preventive Maintenance



Inspections



Fire & Life Safety

#### Risk & Life Safety



Certificates of Insurance



Incident Tracking



Visitor Access



Fire & Life Safety

#### Communications



Broadcast Messaging



Property Websites



Mobility

[Request a Demo](#)

[Video Overview](#)



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## Property management today IS risk management.

Operational risk management is an unavoidable activity for commercial real estate owners and property management organizations. **Are your risk & liability procedures helping you reduce claims and resulting losses, prepare for unexpected emergencies, and safeguard occupants and staff?**

This benchmark report will provide comparative analytics to help you answer and understand:

1

**How your operational risk management strategy compares with your peers and industry top performers.**

2

**Best practices for managing COIs, building incidents, liability exposure, and emergency preparedness.**

3

**The must-have risk management tools and processes as ranked by your peers.**



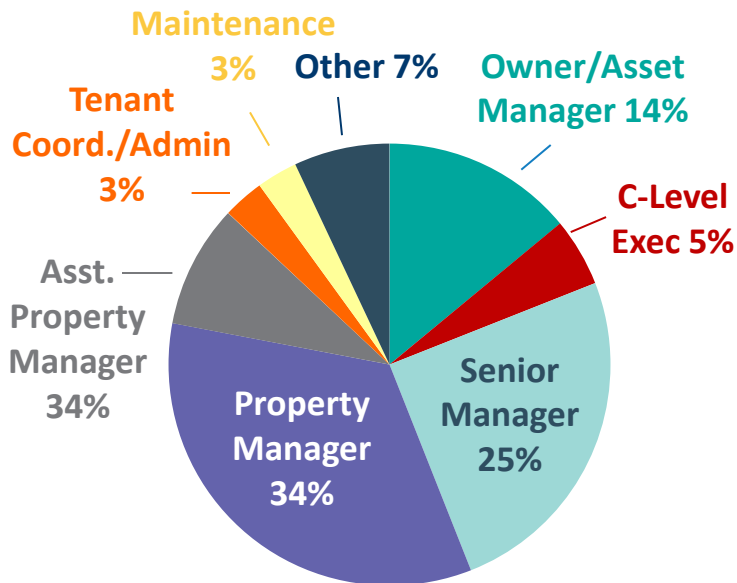
**Sarah Fisher**

Marketing & Communications Director  
Building Engines  
[sfisher@buildingengines.com](mailto:sfisher@buildingengines.com)

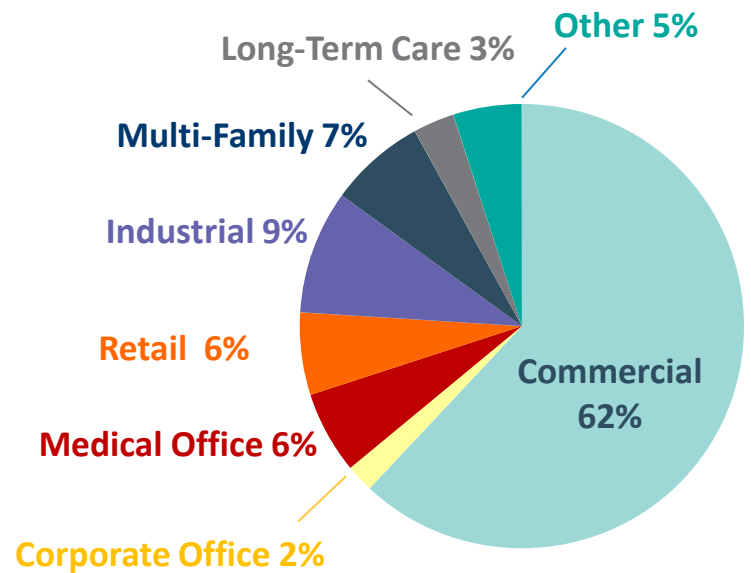
# Survey Demographics

*The Building Engines Operational Risk Benchmark Report* compares commercial real estate operational risk management strategies and tactics with best practices of top property owners and managers. The results are compiled from survey responses of CRE professionals, who represent a full range of industries, company sizes and functional areas.

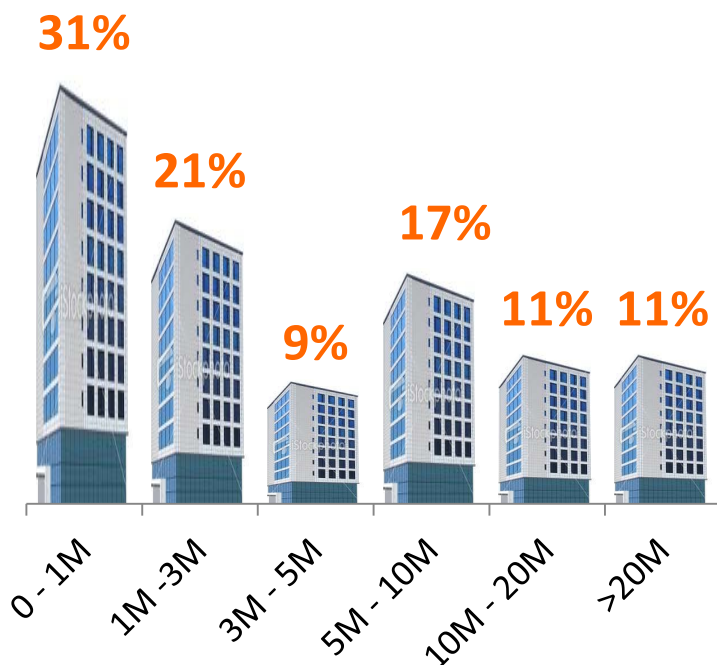
## Job Title



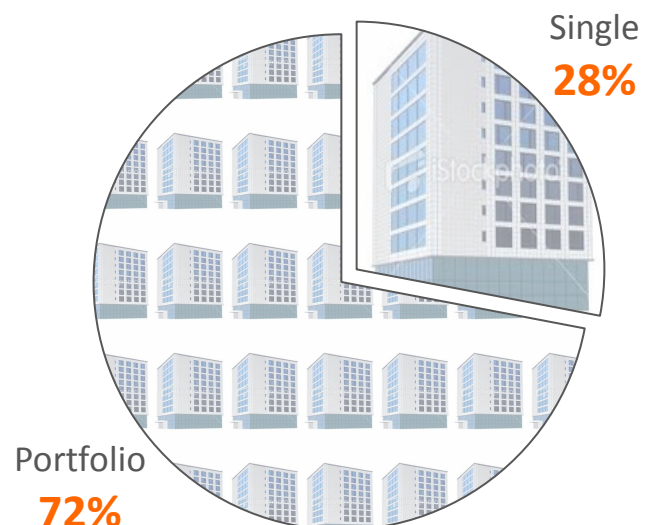
## Industry



## Total Square Footage



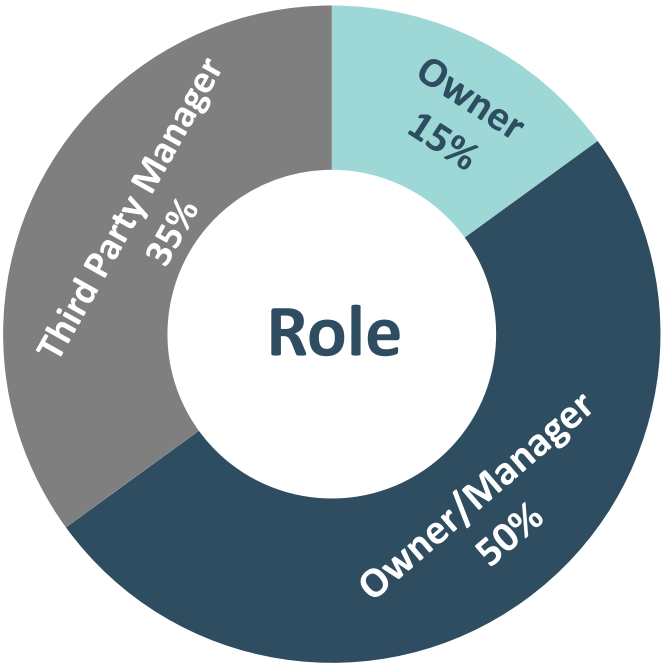
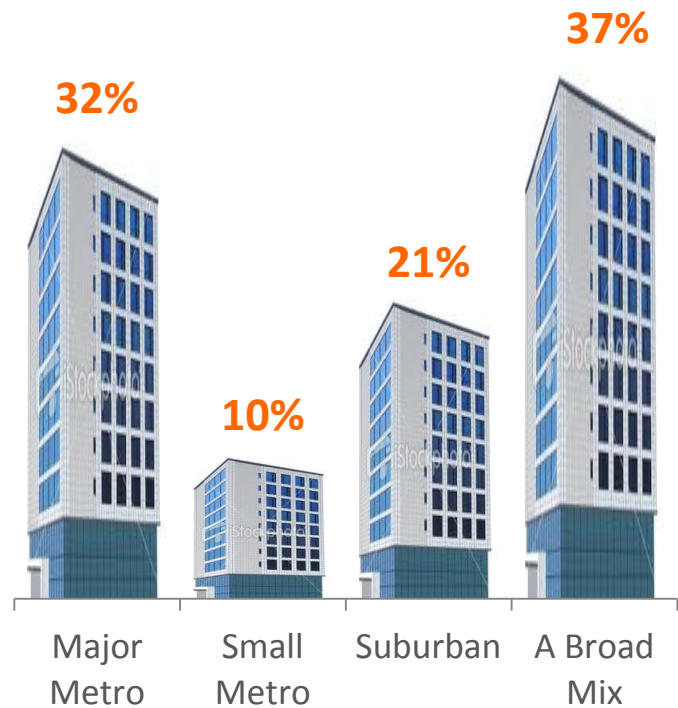
## Type of Property



# Survey Demographics

## The Building Engines Operational Risk Benchmark Report

### Property Location



# OVERVIEW

## *The State of Operational Risk Management in CRE*

**What are CRE professionals most concerned about?**



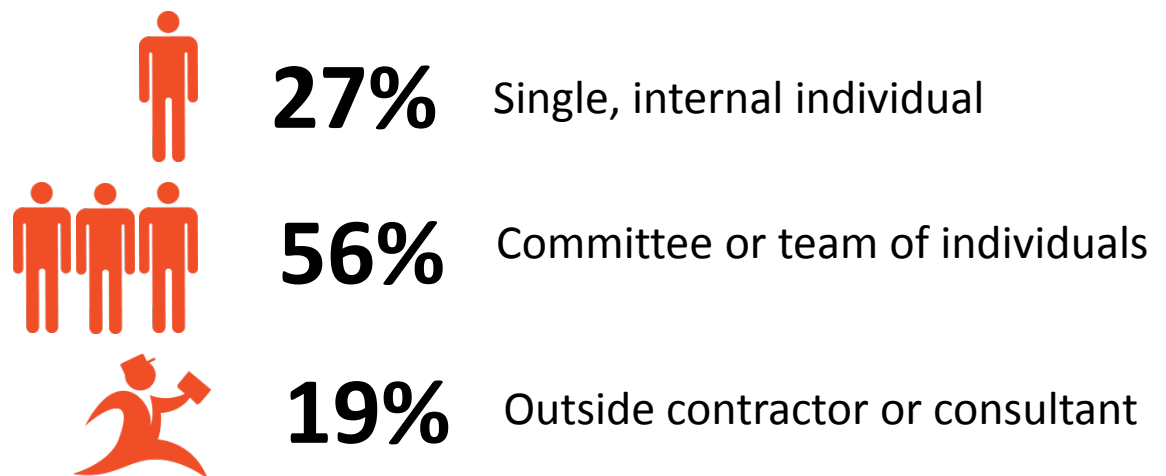
### **Top Criminal Concerns:**

1. Burglary, Breaking and Entering, and Theft
2. Vandalism

**49%**

# Measuring & Managing Risk

Who is managing risk and emergency procedures in your property or portfolio?



## How Prepared Are You?

*Most defined policies around:*

**87%:** Tenant & Vendor COIs  
**67%:** Incident Reporting & Tracking  
**54%:** Fire & Life Safety Document Management

*Least defined policies around:*

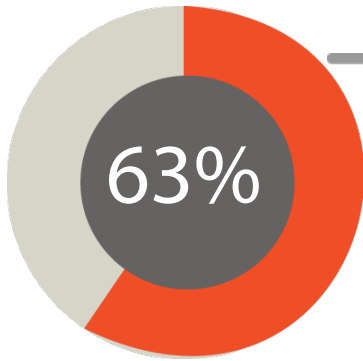
**21%:** Property & Package Removal  
**26%:** Threat Management  
**39%:** External Emergency & Crisis Communications

41%

CRE professionals that **benchmark operational risk performance**, either across their portfolio or against like buildings

# Managing Tenant Risk

Operational Risk Management in CRE is often looked at from a property management perspective, but it's important to understand the risks that tenants can potentially bring into your property as well. Are any of your tenants involved in a high risk business? One that might encourage protesters to come to the front of your building? Or TV crews?



25%

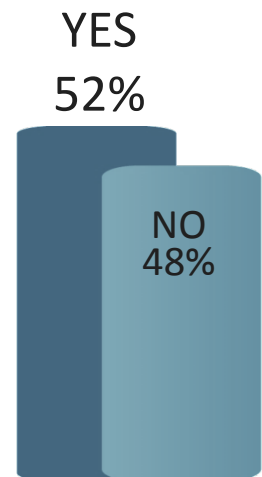
...prevent certain types of businesses or charge different rates based on risk

...of Commercial Office owners and managers believe the type of business tenants are engaged in contributes to the risk of their building.

**Do you take geographical and neighborhood risks into account when...**



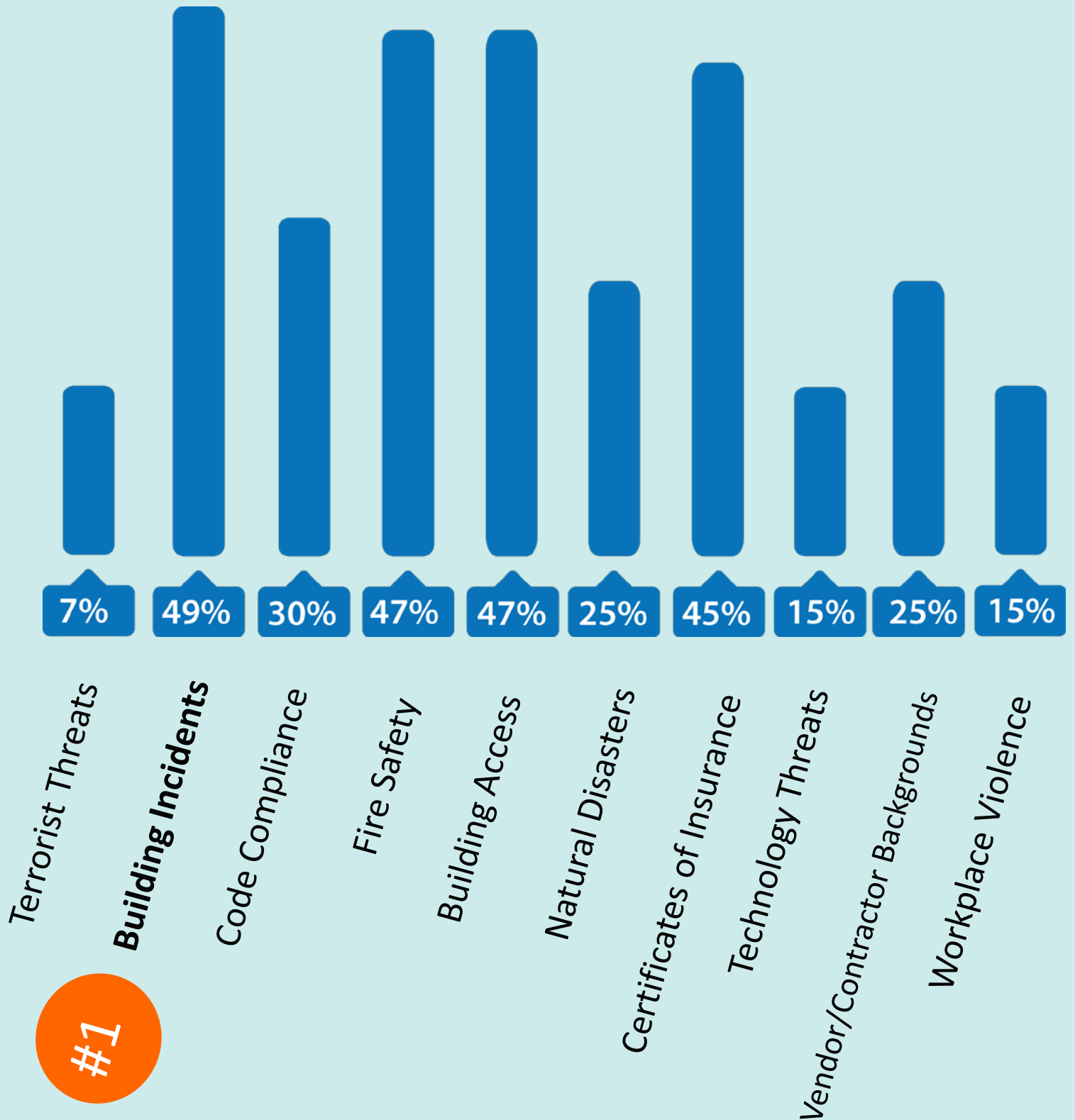
Choosing to buy a property (owners)



Setting the management rate (managers)

# 96% of respondents

plan to implement new processes or tools to help manage operational risk in the coming year.



# Emergency Preparedness

## Commercial Real Estate Industry Still Ranks Low in Disaster Preparedness...

49%

of property management organizations do not conduct Emergency Scenario Training Sessions

**37%** of CRE property owners and managers admit they don't have a **centralized database** for employee, tenant and vendor contact information that can easily be accessed during an emergency.

## The Bare Minimum

While a majority of property management organizations (88%) do provide a list of key personnel and contact information to local responders, agencies and contractors, 40% still don't have a process for emergency messaging and 73% don't make digital Pre-Plans available to first responders.

## Consider: Safety Act Designation from the Department of Homeland Security

The Safety Act designation is growing among the commercial real estate community. It recognizes anti-terrorism strategies and provides legal liability protection for those who employ them.

### Did You Know?

Building Engines' client **Beacon Capital** was the first real estate company in the United States to receive the Safety Act Designation.

**5%** of Survey Respondents had achieved the Safety Act Designation.

# LUCK IS NOT A STRATEGY...

**In the past year, real estate organizations were vulnerable to these reported emergencies...**

**4.1 million** workplace injuries

**2 million** incidents of workplace violence

**\$2.6 billion** of property loss from non-residential structure fires

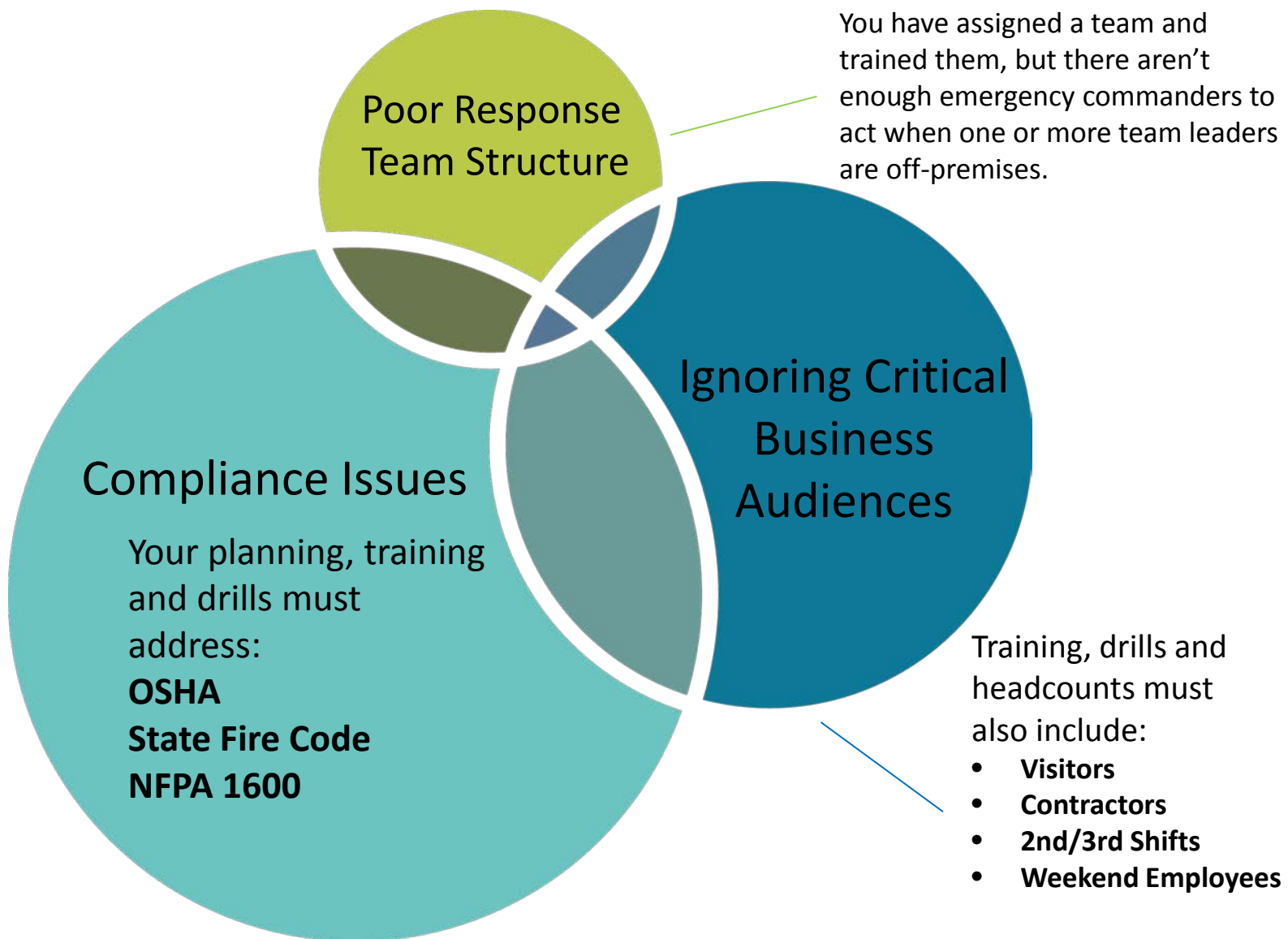
**349,500** fire department responses to hazardous material spills

**45,000** natural and manmade disasters

**10,000** incidents of sudden cardiac arrest at work

**4,670** accidental workplace deaths

## Avoid The Top Three Emergency Plan Mistakes



# Communications & Contingency Plans are the Key to Preparedness

## Three Important Components of an Emergency Preparedness Plan

### 1. Active Training Scenarios

- 2x / year

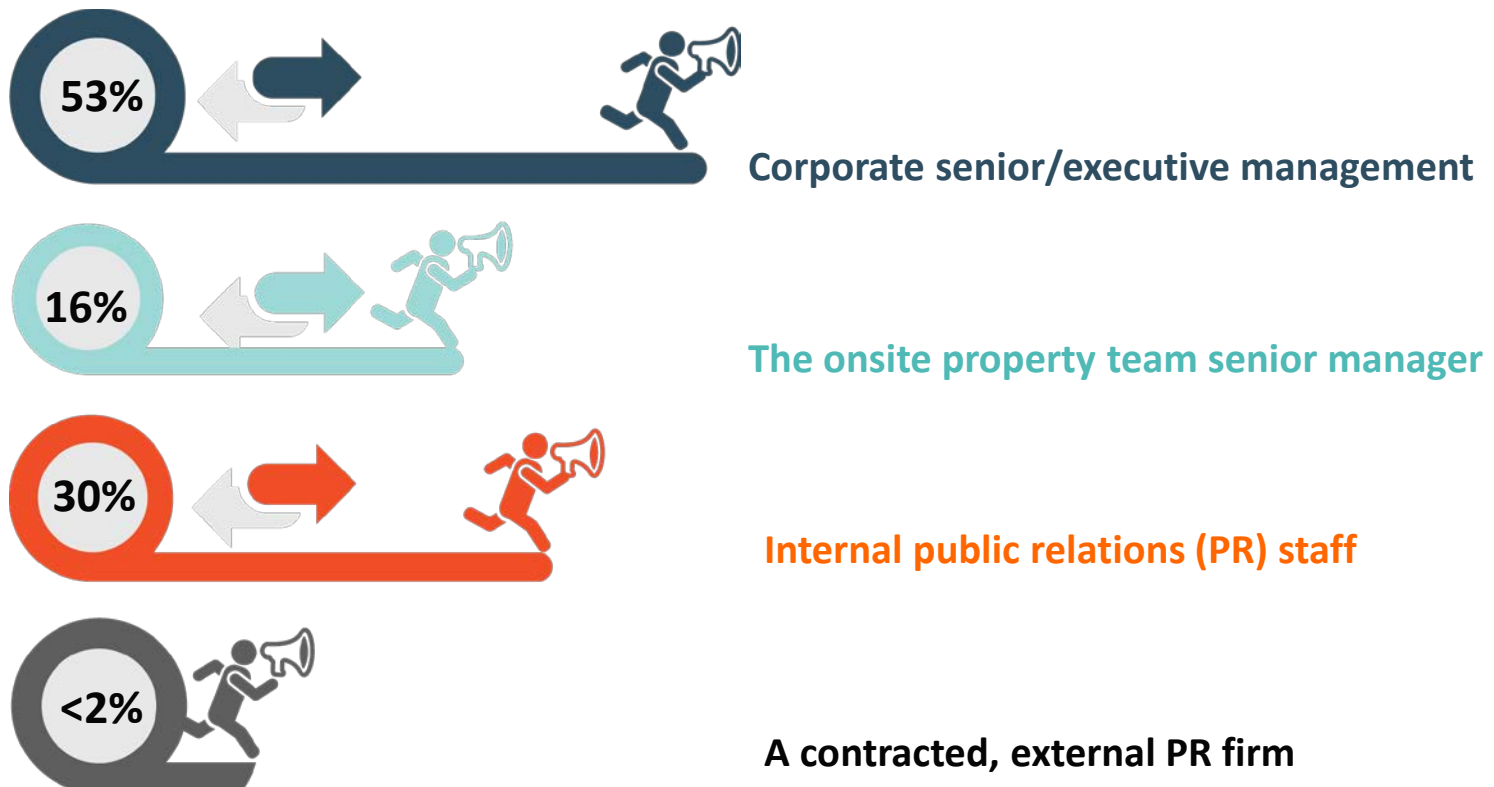
### 2. Crisis Management Team

- Human Resources
- Crisis Public Relations
- First Responders
- Internal Team/Committee

### 3. Relationships with Public Entities

- FEMA
- Dept. of Homeland Security
- Public Health/Swat
- Local Law Enforcement
- First Responders

**Who creates and delivers your emergency communications to press or social media during a significant event:**



# Case Study: Beacon Capital

## A commitment to Emergency Preparedness

“ Since 9/11, the responsibilities of the property manager have changed. What people have started to realize is that the building across the street can put them out of business. So, building positive networks and outreach has become the absolute foundation blocks for people operating real estate. ”

*- Joe Donovan, SVP, Beacon Capital*

### About Beacon Capital

Beacon Capital Partners, LLC is a private real estate investment firm. Since its inception in 1998, Beacon has raised over \$11 billion of equity for office real estate investments. Through its funds, Beacon has completed over 90 investments, with a projected total cost of approximately \$29.0 billion.

### Implemented Three Primary Changes

1. **Tools:** They implemented web-based and mobile [Property Management Software](#) from Building Engines, which includes tools to manage COIs, Incidents, Fire & Life Safety, and Emergency Messaging.
2. **Planning:** They created detailed plans for over 30 potential events.
3. **Training:** They committed to running table-top exercises (a drill of “what-if” scenarios) at every property every 6-8 months.

### Results

- Significant reduction in claims resulting in a loss
- First real estate organization in the U.S. to earn the Dept. of Homeland Security Safety Act Designation
- Liberty Mutual Gold Star Award
- Recognized as an industry leader in crisis management and emergency preparedness

### The Importance of an Internal Champion

Beacon successfully implemented a comprehensive program around emergency preparedness due in large part due to their internal champion Joe Donovan - chair of BOMA International’s Emergency Preparedness committee and Presidential Appointee to the Board of Directors of the National Institute of Building Sciences. It is important to find someone in your organization who is dedicated to minimizing the impact of events and to supporting the local, regional and national public service groups’ needs to respond to events that can help shepherd your program along.

## Beacon’s Tip for Effective Table-Top Exercises

Include all stakeholders:  
**Property teams**  
**Fire & Safety Community Contacts/First Responders**  
**Tenants**  
**Vendor Representatives**

Exercises sometimes  
have 60-80 people  
per building!

# CHECKLIST

## Implementing a Successful Emergency Response Plan

**Planning:** We have an emergency response planning committee and Senior Management approves written emergency response plans annually. Our written plan clearly details chain of command for emergency situations.

**Training:** We train employees in emergency preparedness annually so that all stakeholders know our warning and communication procedures, their roles during a disaster, and where they should go if evacuating or sheltering in place.

**Education:** We emphasize employee preparedness by: identifying response teams of people trained in first aid and CPR/AED, having at least 10% of employees trained annually in first aid and CPR/AED, offering first aid/CPR/AED training to employees annually, and providing emergency preparedness training to all new employees.

**Drills & Exercises:** We conduct the following drills and exercises at least once a year: building evacuation drill, tabletop exercise, Continuity of Operations Plan (COOP) activation drill, medical emergency response exercise, shelter-in-place drill, practice procedures for specific disasters in our area.

**Evaluation:** We complete after-action reports and evaluations following each drill, exercise and real emergency situation. The after-action report identifies concerns about plan compliance and forwards the resulting recommendations to our emergency planning committee and senior management.

**Communication:** We have an automated process in place for emergency broadcasting and are able to track responses from employees, vendors and staff during and after an emergency.

**Data and Storage:** We have a centralized, web-based database that tracks incidents, stores emergency preparedness documentation, procedures and equipment lists, stores up-to-date employee, tenant, and vendor contact information, and is able to broadcast and track emergency information to various stakeholder groups during and after an emergency.

# Using Social Media to Manage Risk

**Social media has completely changed business communications**, forever altering the way organizations both field and respond to people experiencing problems with their products or services. Understanding these new tools as well as their potential for information exchange, communications, and operational tools can greatly impact a facility's ability to recover and restore operations more efficiently.

## Incidents & Complaints Gone Viral

*What's your worst nightmare?* Imagine someone slips and falls in your lobby and it's caught on video and shared on Facebook. Or, imagine someone snaps a quick shot of the broken window in the hallway that has yet to get fixed and broadcasts their complaint on Twitter?

**Even scarier - imagine you don't know any of this is going on because you're not on Social Media!** Social media isn't just about brand exposure, it's about controlling the conversation. By being aware and proactive about these types of issues, you can turn a bad situation into a good one. Imagine how that same tenant would respond if you fixed the window, took your own picture of the repair, and responded to them with an apology!

## Crisis Communication via Social Networking

When a levee broke causing record-setting floods to overwhelm the U.S. Navy base in Millington, TN (and severing phone and computer service), officials turned to Facebook to help tenants, residents and employees learn the latest news, share information, and post questions and answers about the ongoing disaster.

At press time, more than 3,000 "fans" had become members of the site, with multiple messages and links being posted every hour.



## To-Dos

### Social Media & CRE Risk Management

- Promote training sessions
- Share fire & life safety tips/awareness
- Send broad-reaching communications during an emergency



Your Fire & Life Safety System serves as a vital part of a commercial real estate building's readiness plan. **Code, training and equipment are all integral to ensuring that the system will function properly when a crisis occurs.**

## The Top Ten Fire & Life Safety System Mistakes to Avoid

1. Continuing to Band-Aid an outdated system, rather than replace it.
2. Missing the Big Picture: Have all the little one-off improvements and renovations necessitated a change to the entire system?
3. Not implementing building and portfolio-wide Fire and Life Safety standards.
4. Passing the buck to service providers.
5. Thinking you can catch up later when the market turns around. Codes change. Tenant demands change. New technology is introduced. Don't fall behind your competition!
6. Not doing an Assessment of Condition of your Fire & Life Safety systems at each building.
7. Diving into a Fire & Life Safety overhaul without first outlining and prioritizing baseline requirements and goals.
8. Choosing the wrong person or team to spearhead the project.
9. Failing to get a copy of the final report into the hands of all appropriate building representatives
10. Neglecting to utilize technology in the process.

# Best Practices for Handling COIs

Certificate of insurance (COI) tracking is a vital risk-management activity. Without an efficient process and visibility into this critical area, you may needlessly expose yourself and your insurer to potential liability.



## The Verdict Is In!

**70%** of property owners and managers admit that their tenants could easily bring in a vendor without them knowing – posing a HUGE risk to their business!

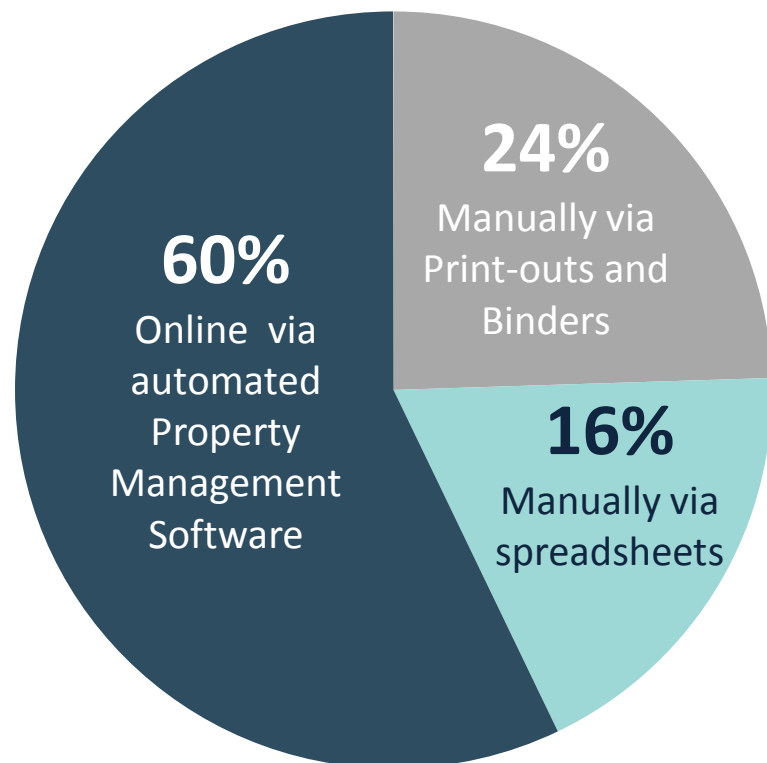
**INSIDER  
TIP**

“The first thing you need to do when implementing an insurance compliance program is to get some quick training on what it all means. What do these words mean? What do these abbreviations mean? Have somebody who’s responsible for collecting, following up, and tracking the certificates of insurance.

And if you have a tracking system - such as Building Engines - that you can rely on, well that will help make the administration of it much, much easier. “

**- Kathy Nickerson, Risk Management Consultant**

## Your peers handle their COIs...



# Most Common Safeguards in the COI Process

51%

Alerts and notifications when COIs are coming up for renewal and/or expired

22%

Vendor payment is contingent upon an active or valid COI

15%

Vendors must have a minimum carrier AM Best (or other financial viability) rating for COI compliance

12%

Vendor access is contingent upon an valid COI to the building

**Quick Tip:** Ensure that the tenant or vendor's insurance company has actually endorsed the addition of your company as an additional insured

**Did You Know?**

**40%** *of property owners and managers have realized premium reductions based on their Risk Management practices.*

# 3 Secrets to Better COI Management

1

Request a valid Certificate of Insurance from each tenant and vendor that shows your organization named as an additional insured. Then, make sure that you get it. Send them an example certificate so that there is no confusion.

2

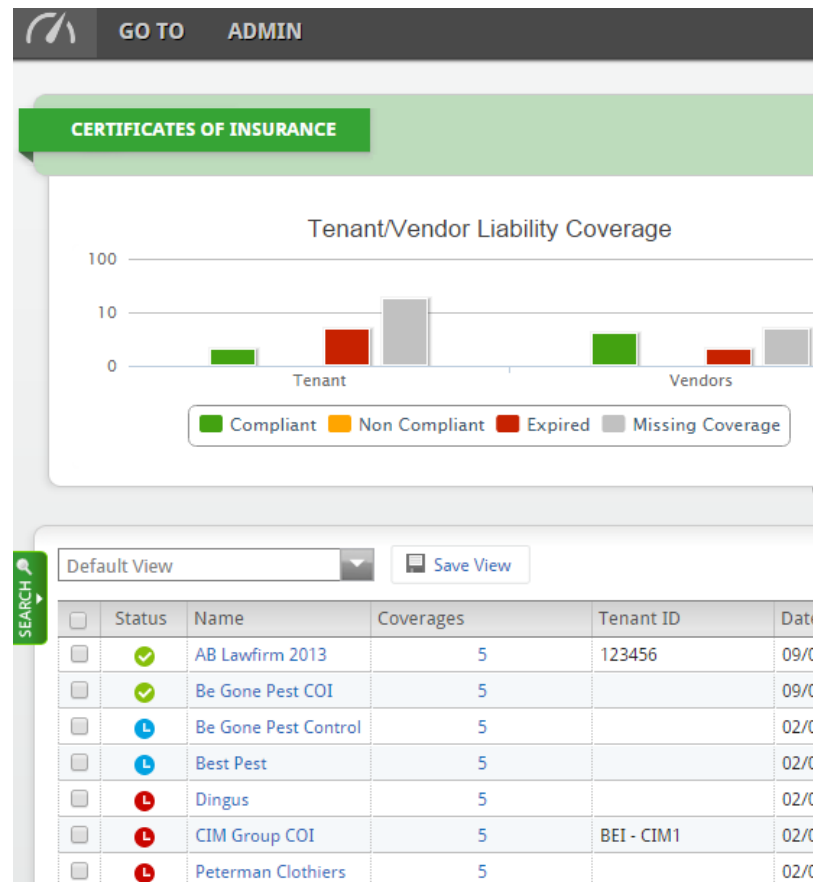
Read the coverage limits on the COI to make sure that they comply with the insurance coverage requirements of your leases with your tenants and all service contracts executed with your vendors.

3

Don't be afraid to request changes to coverage limits if they do not meet the minimum requirements outlined in your own contracts and leases.

## Pssst...

Building Engines **Certificate of Insurance Manager** moves all your COIs into a single, online database and automates the entire process through proactive alerts and expiration notifications. You'll have complete, real-time visibility into the COI status of every tenant and vendor on your property, ultimately reducing incurred losses and insurance premiums.



# Incidents & Liability

## Top Three Building Incidents:

# #1

Slip and Fall

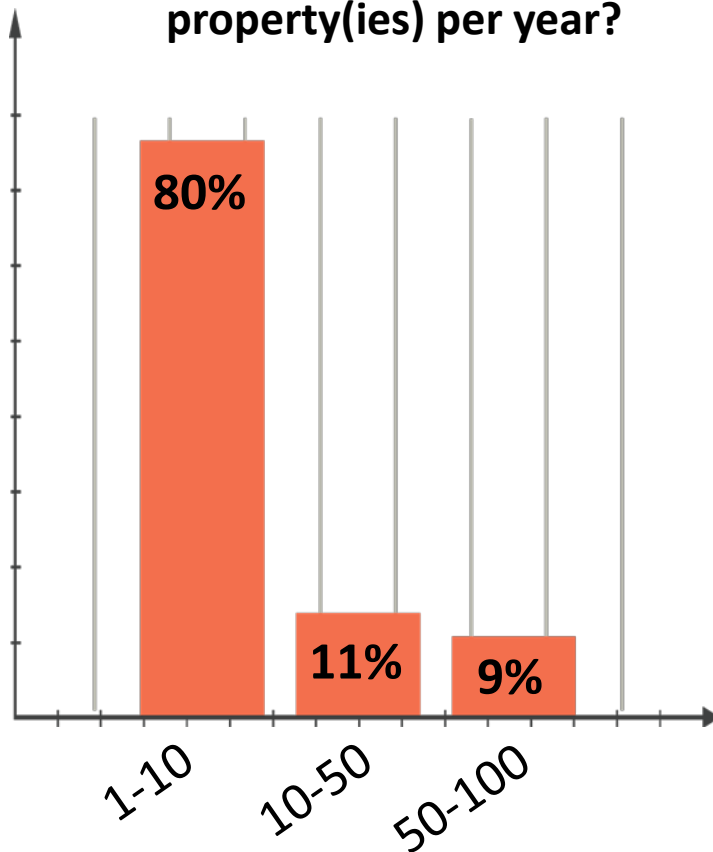
# #2

Water Leak

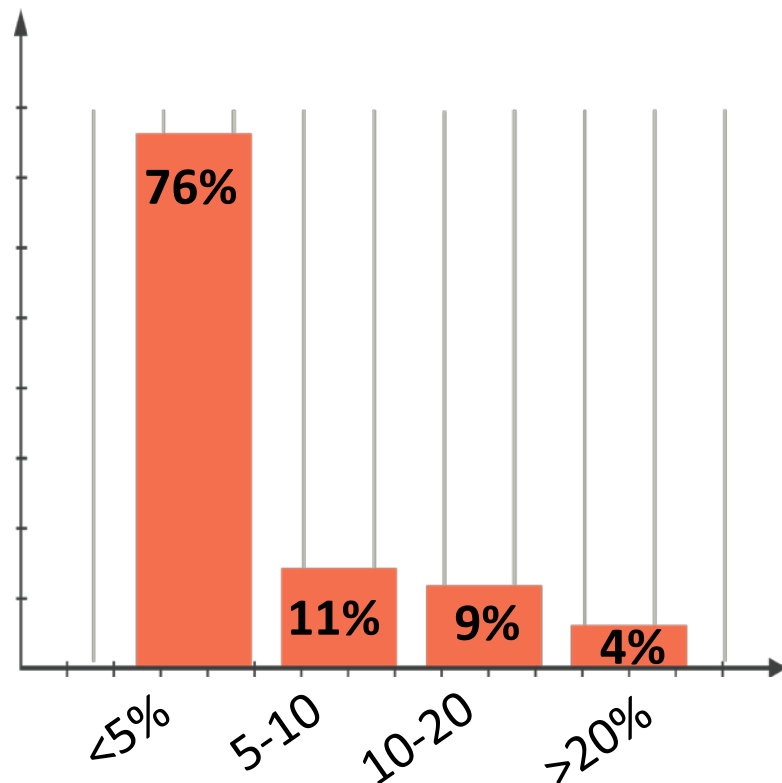
# #3

Property Damage

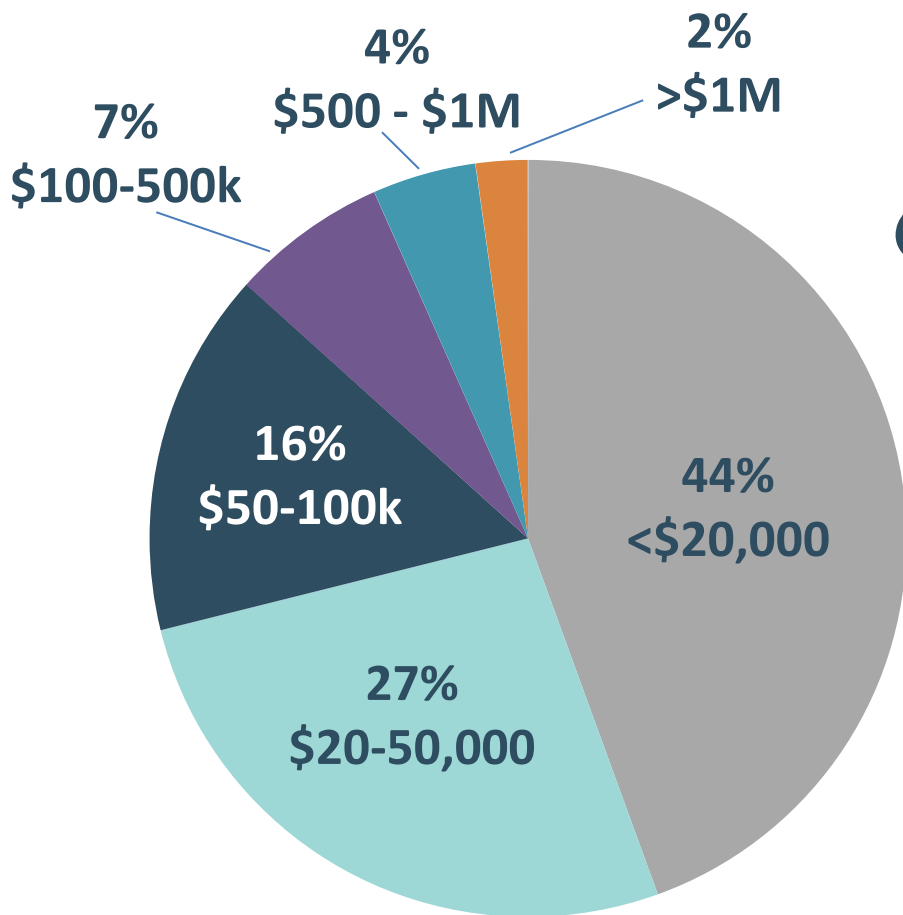
How many Incidents occur in your property(ies) per year?



What percent of your claims result in a loss?



# CRE Properties: Average Incurred Loss Per Year



“ One of the things that we are frequently amazed at is when we compare companies who do have good risk management practices to companies who don't, the loss histories between the two are dramatic, and that loss history relates to expenses far beyond just that loss. ”

- **Kathleen Nickerson**  
Risk Management Consultant

## Now Trending....

Did you know there has been a trend of losses associated with water intrusion and mold? Pipes break, sprinklers leak, water flows down. If not treated quickly, water claims become quite large.

“The majority of the calls we get, especially on emergency response calls, are related to mold – a flood at the building, a leaking pipe, a roof replacement with leaks through the roof, or leaking roof drains with a mold issue. About every third call we get is related to mold.” - **Frank Westfall**, Vice President of ESIS Inc. Health, Safety, and Environmental. \*

# Technology & Risk Management



The operational risks to a commercial property are many - at every turn is an opportunity for a slip-and-fall, a hazardous material leak, or... worse. To compound that, the expectations and legal requirements that property teams are not only required to do, but also *need to do*, to protect themselves from liability are high.

Web-based and mobile Property Management Systems include tools for managing **contracts, Certificates of Insurance, emergency and broadcast messaging, fire & life safety documentation, inspections, and incident tracking**. They are reinventing the way Property Teams have traditionally handled the multitude of Risk Management tasks in three primary ways:

1. **Mobile Access**
2. **A Centralized System of Record**
3. **Automation and Efficiency**



...of businesses who suffer a catastrophe without a contingency plan go **out of business within two years.\***

SOURCE: "The 17 Mistakes Made in Emergency Plans and How to Avoid & Correct Them," by Bo Mitchell President, 911 Consulting via IFMA

# Technology & Risk Management

Take a look at the Building Engines' mobile and cloud technologies that property owners and managers are using to reduce risk exposure, increase preparedness, and safeguard occupants and staff - ultimately reducing the expense associated with insuring their portfolios against liability.

## Mobile

### Track Building Incidents

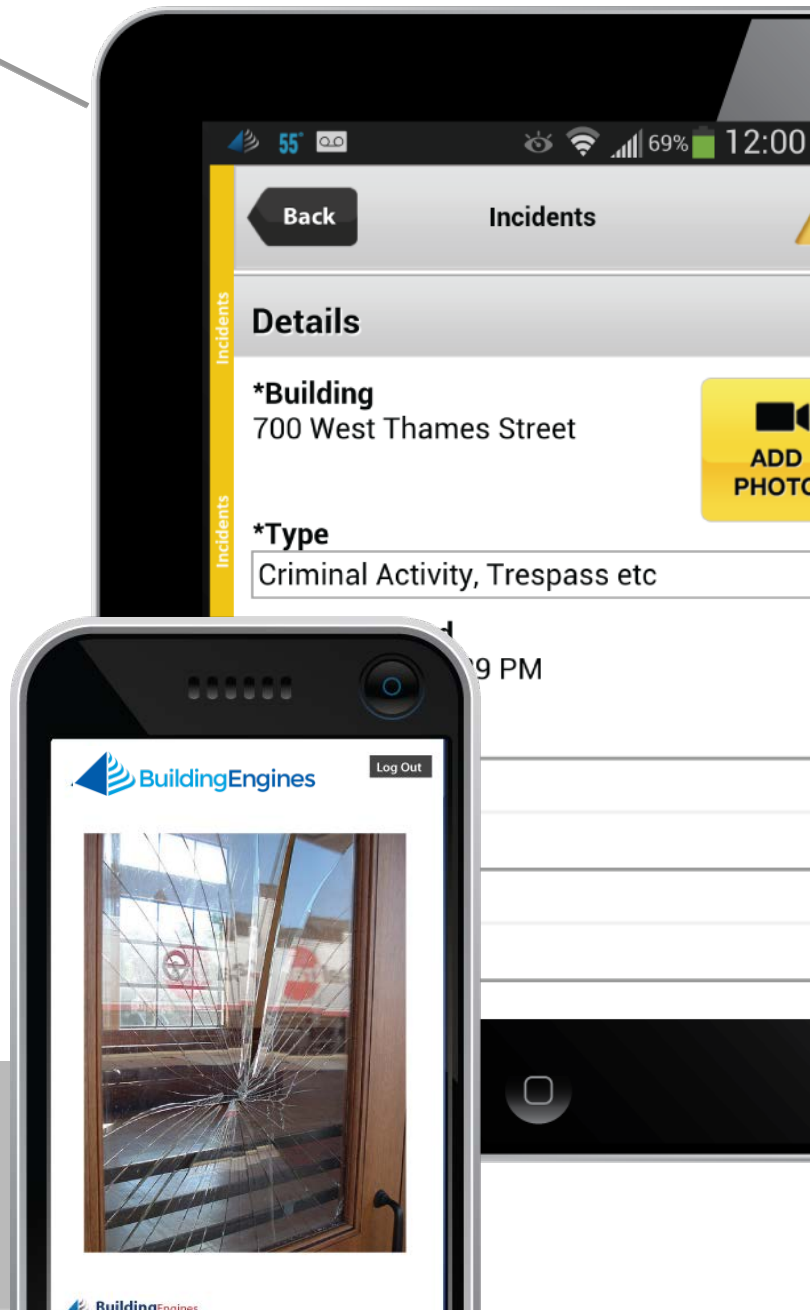
Mobile incident tracking allows you to respond swiftly, capture important responder and event details, maintain accurate historical records and generate reports for risk assessment and liability protection....from anywhere that an incident might occur. In the event of a loss, you can use this documentation to prove your building was regularly inspected and/or proper procedures were followed.

#### ***Important features:***

- Utilizes smartphone features to take and attach photos and videos
- Ability to send incident-related messages to pre-defined groups as soon as an incident occurs

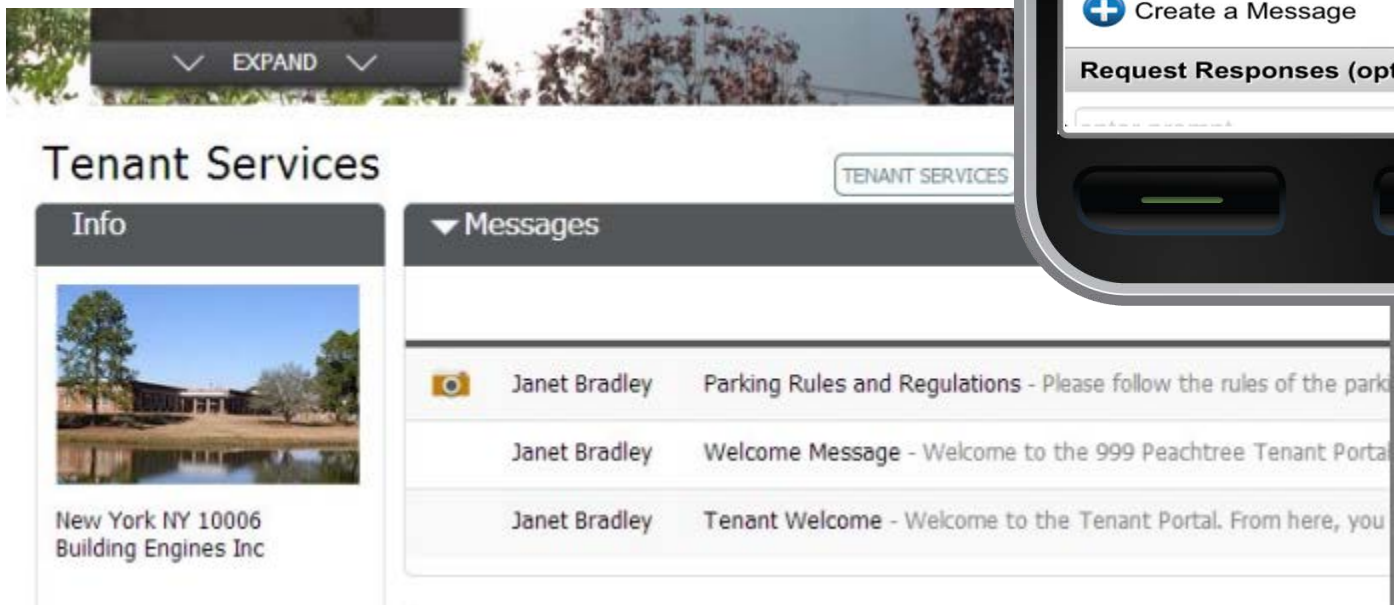
44%

*Of CRE property owners and managers use a **Mobile Incident Tracking** technology solution*



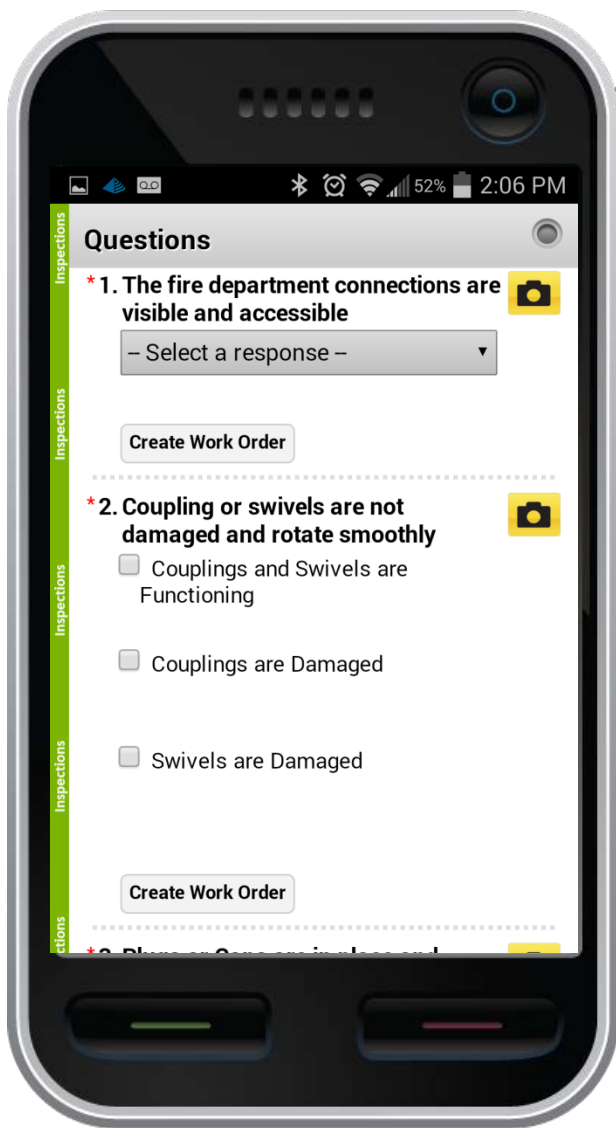
## Broadcast Messaging

The most efficient operations teams are able to communicate with tenants, vendors and staff instantly, from any location. In an emergency situation, or just as a daily communications tool, mobile broadcast messaging enables you to quickly and easily create, send and save important communications for all your key contacts.



37%

*of CRE property owners and managers that utilize some form of an Emergency Broadcasting Technology Solution, do not have a corresponding MOBILE TOOL.*



## Mobile Inspections

Mobile inspections allows your team to create and complete inspections from any mobile device, so that you can work faster and quickly address problems- including initiating work orders from the field based on failed inspection points.

### TIP: Up Your Inspection Game

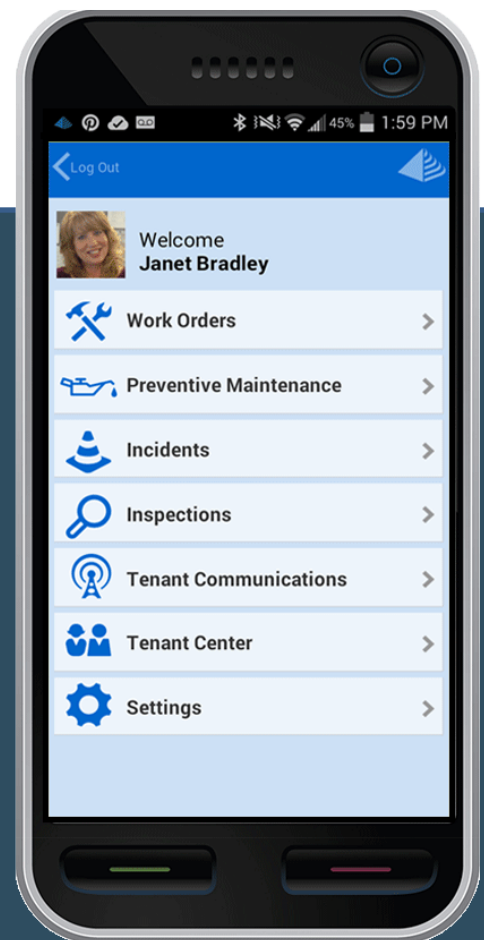
During routine maintenance inspections, make sure you're also looking at how your chemicals are stored - including the integrity of the tanks and the systems that are in place to test those things. Take a look at building materials if you know they're hazardous, like lead-based paints, asbestos, or PCB-containing elements such as ballasts or transformers.\*

\*Risk Prevention Building Blocks, Buildings Magazine, <http://www.buildings.com/article-details/articleid/13262/title/risk-prevention-building-blocks.aspx>

## BE-Mobile APP Connected. Anytime. Anywhere.

With BE-Mobile, property and facility teams can access critical building information at all times and manage and respond to tasks remotely.

Harnessing the latest technology, the BE-Mobile App is easy to set up and use on your iPhone®, iPad® or Android™. A pocket-sized extension of the key features of the Building Engines Platform (Work Order, PM, Incidents, Inspections), BE-Mobile uses mobile functionality to make your job easier.

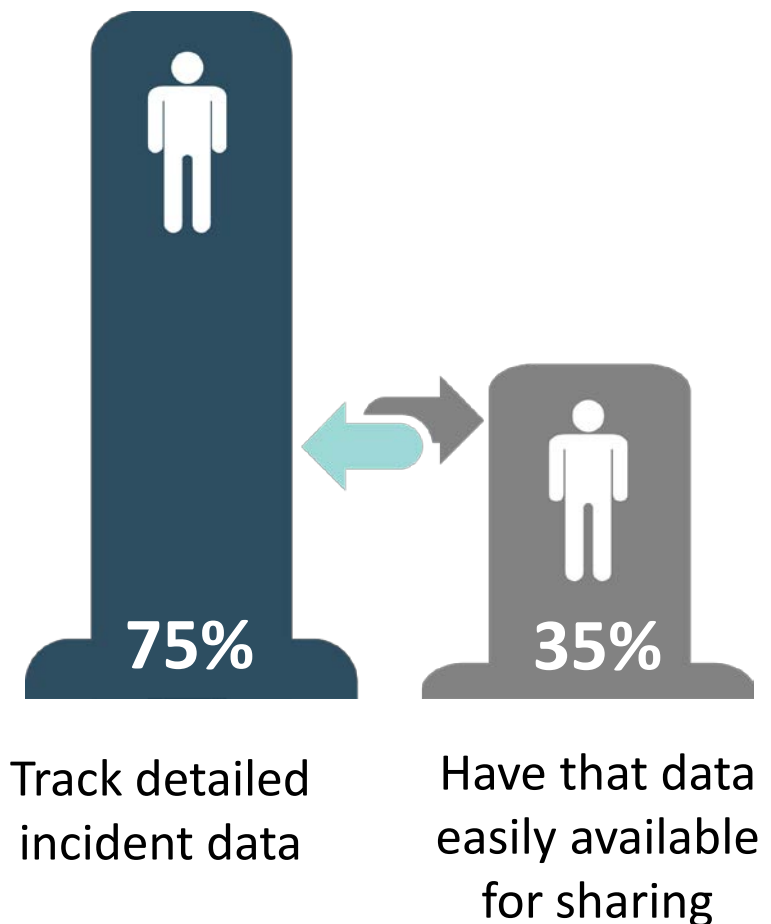


# Centralized System

**The Most important thing you can do is capture, track and automate building data through a central, online database.**

In the event of a liability suit, you may be asked to quickly pull in-house inspection notes, incident reports, related documents, and records of responsiveness to the event. If this information is coming from disparate systems and/or a paper trail, it's very easy to lose important information that could have reduced your organization's liability.

*Preparation and access to documentation months or years old is often the difference between no basis for a suit and a financial loss.*



**81%** of those surveyed use multiple systems to track and manage their operational risk.

# Final Thoughts

The single best thing any organization can do to mitigate operational risk is to prepare. Preparation requires process and the right tools.

**Contact Building Engines today to learn more about our extensive suite of Risk Management Capabilities, which includes:**

- Fire & Life Safety
- Incident Tracking
- Certificates of Insurance
- Visitor Access
- Inspections
- Emergency Broadcasting



866-301-5300

