



FIRE LINE DO NOT CROSS

WHEN DISASTER STRIKES

WHAT BOARDS AND
MANAGERS NEED TO KNOW

BY DIANE SWERLING

Any decent-sized community association—whether it’s a condo complex, co-op, or other homeowners’ group—depends on an experienced property manager to function. This need is never more acute than after a major property loss, when the property manager becomes the go-to person for coordinating post-event response. The property manager suddenly must oversee insurance adjusters and contractors, as well as ensure that everyone in the association gets information and access to their property in the fastest time possible.

I was reminded of this need recently while working closely with the property manager of a 40-unit condominium association that suffered a major loss due to a large fire. That case highlights the two key phases—before and after—of a major property loss, and what a property manager can do in each phase to ensure the best possible results.

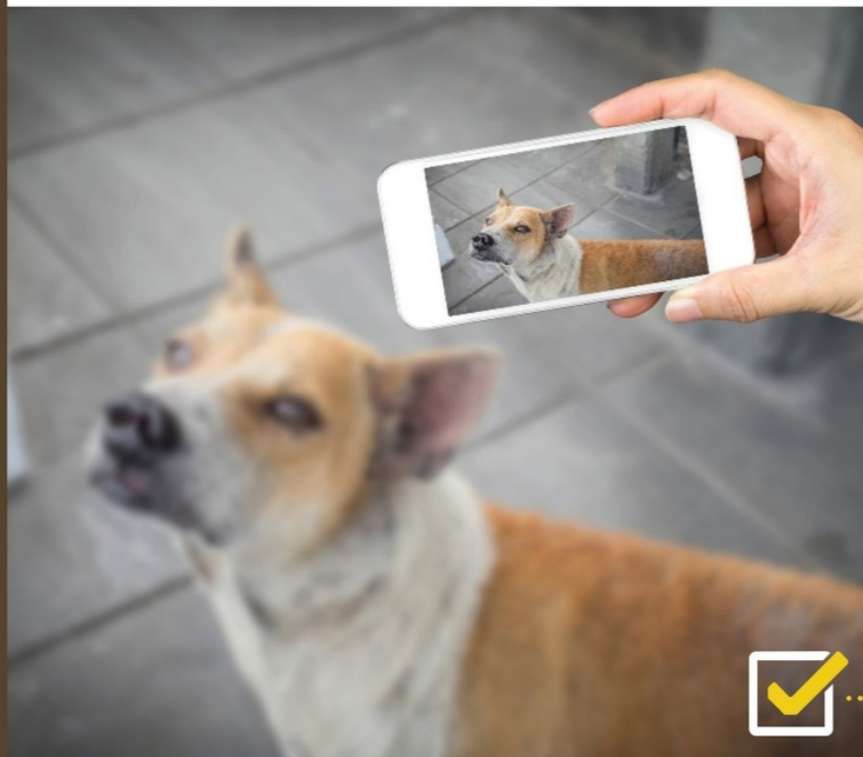
The following advice will help management companies, board members, and owners prepare for and deal with a major property loss.

PREPARATION

- ☑ **Master Policy Insurance**—This means doing work ahead of a catastrophe so you're ready if one hits. Do you have a full copy of your insurance policy? If so, make sure you understand the coverages. The condo association should send out a yearly insurance letter that tells everyone what kind of insurance the association has. It also lays out what each unit owner must cover vis a vis the master policy and condo bylaws, and what the master policy deductible is. Keep a copy and be familiar.
- ☑ **Individual Unit Insurance**—Some associations are flexible about whether individual owners are obligated to have insurance. In my experience, it's best to require each owner to have their own unit-owner's policy (HO-6). While it's not the association's responsibility, it's best for all if each unit owner has adequate limits of insurance for personal property, including

Loss of Use (at least 2 years), Loss Assessment coverage (at least \$50K worth), and building and code coverage. Remember: the amount of time that owners will be out of the building is ALWAYS two to three times longer than people estimate. These coverage provisions can make a key difference, and take a lot of pressure off the property manager and the board. There's nothing worse than unit owners who are underinsured.

- ☑ **Pets**—Cats and dogs can go missing when there is a fire or other catastrophic event. Keep an active list with names and pictures so post-loss tracking will be easier.
- ☑ **Claims Management**—The condo board should be educated about key decisions they will have to make in the event of a major loss. Do they understand the claim process? In addition to the complexities of the condo insurance policy, good claims



management requires attention to multiple details: building estimates, construction calculations, city ordinances, architects, the list goes on. These details can interfere with the necessary focus to get your condo rebuilt—and meanwhile your insurance company is making monetary decisions that will affect the outcome of your claim. The property manager should help board members understand that a major loss affects them as both board members and as unit owners—they will likely want help from professionals with the job of rebuilding.

- ☑ **Management Fees**—In the event of a major loss, your management company is going to do a lot more work—and they are entitled to get paid for it. Establish before a loss whether your management company will charge a percentage of the claim, or charge a straight fee (and what that fee is). Typically, the charge will be a percentage of the loss, which might be manageable when costs only run to \$50,000. But what about when the loss runs to \$5 million and beyond? A hefty percentage of that loss won't be feasible for the association to handle. The percentage should be discussed and negotiated firmly at the time of loss. Either way, be prepared to keep detailed records! Although your insurance company will cover a fair share of the management fees, some management companies want a percentage PLUS hourly fees—and your insurance policy probably won't pay for both. Have your board negotiate these items to ensure as much as possible will be covered by your insurance company.

COMMUNICATIONS

In times of stress, overcommunicate! After a loss, people want to enter their units as soon as possible to retrieve their medication, phones, laptops, and other valuable personal property.



Arrange to send out ongoing texts and robo-calls four or five times per day, providing updates and relevant information. At the same time, understand that not everybody will actually have their cell phones (they may have lost them in the fire). So you should also establish a contact person and a backup method to broadcast messages to everyone.

- ☑ **Association Website**—Set aside a micro page—best to have it password-protected—on the association website for condo bylaws, master policy documents, and FAQs. Each unit may have their own adjuster, so posting information in a central location can help the property manager avoid multiple phone calls and frequently asked questions. The website can also include important contacts, name/contact information of the restoration company, access schedule (so people can look at their units), and the name/contact of the Insurance adjuster.

- ☑ **Meeting Place**—Is there a church or some civic building nearby? People will need a place to gather, and to use publicly accessible bathrooms. Where will everyone now go to have owner meetings? Think beforehand about where a good meeting place might be.

ACCESS

- ☑ **Safety First**—People will naturally want to get back in the building as soon as possible. But safety protocols dictate first steps. The fire department must release the building, or sign off on its safety, before any tenants can enter. After that, you must also get approval from a building inspector. Do you have a structural engineer who can come out quickly to examine and shore up walls and handle other areas impacting public safety?
- ☑ **Security**—In addition to close coordination with the building inspector and structural engineers, the

property manager must coordinate security and related access issues, including possible police details where warranted. Temporary fencing is likely necessary—have a contractor on file who can quickly put fencing in place.

Unit Owner Visits—Under the guidance of fire and local officials, these safety measures will hopefully clear the way for individual unit owners to access their units to retrieve important items—silver, jewelry, cash, passports, etc. Have them draw up a reminder list before going in to expedite the visits—and make sure everyone wears a hard hat!

INSURANCE/CONSULTANTS

Read the Bylaws ... and Vote!—The condo association has bylaws, and you want to ensure these are followed to the letter. Look at them closely and confer with an attorney

specializing in condominium law for proper counsel as professional legal advice at this time will be invaluable.

Make sure all calculations are done correctly and that board members understand what they are committing to do. Both the property manager and the board have roles in the claims process, and each must proceed depending on what the bylaws require. Property managers and board members must follow the bylaws, which are not always easy to understand. Most condo bylaws require that owners vote on proceeding with repairs if a loss exceeds a certain percentage (usually 10 percent) of the building value. Bylaws also require a certain percentage of owners to agree to proceed with such repairs, so a vote is necessary.

Reporting the Claim—Calling your insurance agent and reporting the claim is the first step. From there,

you will hear from the insurance adjuster, who will want to come out and take a look. Be forewarned: multiple adjusters may end up working your claim, depending on the size and various aspects of the assignment. You will sometimes get an insurance adjuster with limited authority or knowledge in the areas your claim presents, prompting assignment of another adjuster. You might also see a slew of building consultants and other experts, which adjusters bring in to run estimates and provide particular insights.

Keep Records—The insurance adjuster who ends up owning the claim to the end may differ from the one who first arrives on the scene. So, get everything in writing! This is especially important given the possibility that the insurance company may seek to subrogate the claim, as

per the Cause and Origin clause in the association policy. Protecting the evidence for such potential action is another reason to fully secure the scene.

Other Vendors—You will encounter an onslaught of service providers in the wake of a loss. These can include remediation companies, dry cleaners, and movers. These moving parts need to be coordinated so that you don't have a random army of vendors showing up on site at the same time. Keep a list and coordinate their service delivery times.

REMEDICATION

Establish the Relationship—You will have many remediation companies to choose from, and you want to pick the right one. It's best to: Have your relationship established, and be prepared to get emergency work quotes for demolition, water

extraction, and other necessary remediation work.

Move Quickly—Emergency cleanup of glass, nails, and debris should be done right away, so it's important to move quickly in selecting a remediation company and deploying them.

Know Your Limit—If you're close to the limit of insurance, you want to know about it so you don't go over. A smart property manager will recognize ways around this. For example, if the refrigerators in every unit must be emptied, the property manager can arrange for the remediation company to accomplish this, then tap into the extra coverage each unit owner has (for "debris removal") in their respective HO-6 provisions. We strongly recommend you do this within the first week. A smart move like this requires

disposal of contents into dumpsters that are on site and paid for by the full association.

FINAL THOUGHTS

Above all else, try to remember that the board members you are dealing with are also homeowners who are undergoing a terrible ordeal. They have lost their homes, and are dealing with that crisis while maintaining their role as professional points of contact for the property manager and others working the claim.

There's a need for the property manager to show empathy to condo owners who have lost their homes and enforce safety while managing an efficient and effective process. Keeping that balance is a difficult skill to master. ■



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