

## Real Estate Management “Best Practices”

As a property owner, there are many things you do to manage your chances of loss. You have taken the first important step by purchasing liability insurance to secure your business. Here are some additional steps you should take to improve your risk management strategy.

**“News Flash”:** New York Labor Law poses significant exposures to law suits for property owners! This exposure arises from the hiring of contractors to work on your property without protective wording in your work orders/contracts.

PLEASE READ “BEST PRACTICE”-IT COULD SAVE YOU MONEY. (SEE ATTACHED).

A. If you hire contractors or repair persons to work on your property we require that you:

--Verify that the contractor has workers compensation coverage and a general liability policy with limits equal to \$1,000,000 or more.

--Obtain written confirmation that your contractor has named you as an additional insured on his or her general liability policy before the contractor begins the work.

--Utilize written contracts or work orders when contracting for any work or repairs to your property including “hold harmless” and “indemnity” agreements in your favor. This requires the contractor to be responsible and pay for any accidents or losses resulting from the contractor’s negligence. If you fail to include hold harmless and indemnity agreements you may be liable for injuries sustained by anyone injured on your property as a result of the actions of the contractor, even if you did nothing wrong. Your agent of attorney can provide you with wording that can protect you.

--Hire only licensed, qualified and competent contractors. Make sure the people hired hold the required licenses to do the work. Ask for and follow-up on the contractor’s references.

A. If you have tenants:

--Require each to maintain liability coverage (tenant's homeowners or commercial general liability insurance) so your tenant has the means to reimburse you for any damage caused by him or her.

--Have your attorney include an indemnity agreement in the lease with your tenant which is consistent with the laws of your state. To the extent permitted by law, the indemnity agreement would shift the responsibility for liability claims to your tenant. In some states, these agreements are only enforceable if the agreement limits your recovery to the extent of your tenant's valid insurance coverage. For this reason, it is important to obtain a certificate of insurance from your tenant(s) on a regular basis, e.g. annually.

--Include a "waiver of subrogation" clause in your rental agreements so if your tenant suffers a loss, neither the tenant nor his or her insurer has a right of subrogation against you.

--Require all prospective tenants to complete an application including references and prior places of residence. Try to determine whether the tenant has moved frequently and if so, why, and check the tenant's references.

--Obtain permission to and order a credit report on all prospective tenants. Poor credit history may translate into the inability to pay rent on time.

--Require a security deposit.

B. Regularly inspect your property.

--This is one of the best (and cheapest) risk management techniques.

--Look for hazards that might result in slip and fall liability. Many of these hazards can be easily repaired, e.g. repairing torn carpeting and replacing interior & exterior light bulbs, repairing or replacing broken or worn stair and handrails, repairing cracked or uneven walking surfaces, parking areas and entrances.

--Make adequate arrangements for snow and ice removal with qualified contractors (refer to item A of this document). Inspect for ice build up on sidewalks and parking areas. Consider keeping a log and record the date, time and place where you have cleared snow and treated surfaces.

--Make sure your tenants properly dispose of boxes and other trash.

--Look for and remedy any sign of excessive moisture or leaking water to avoid claims arising from exposure to mold.

--Other important considerations for safety and fire protection

- ...All residential units should have hard-wired smoke alarms in each unit.

- ...Hard-wired smoke alarms should be installed in all common hallways.

- ...UL approved carbon monoxide detectors should be installed in all habitational property (Local Law 7/2004 applies in New York City).

- ...Emergency lighting should be installed in all common hallways/meeting rooms.

- ...Exit signs (self-illuminated) should be located above all passages/doorways leading to the outside.

- ...Emergency exit diagrams should be posted in all public buildings on each floor.

- ...Portable fire extinguishers should be serviced annually.

- ...Electrical systems should be inspected and serviced by a licensed electrician.

- ...Avoid overloading electrical circuits (particularly in older structures).

- ...Discourage the uses of electric or kerosene space heaters.

- ...If the building is sprinklered, have it inspected/serviced at least every other year.