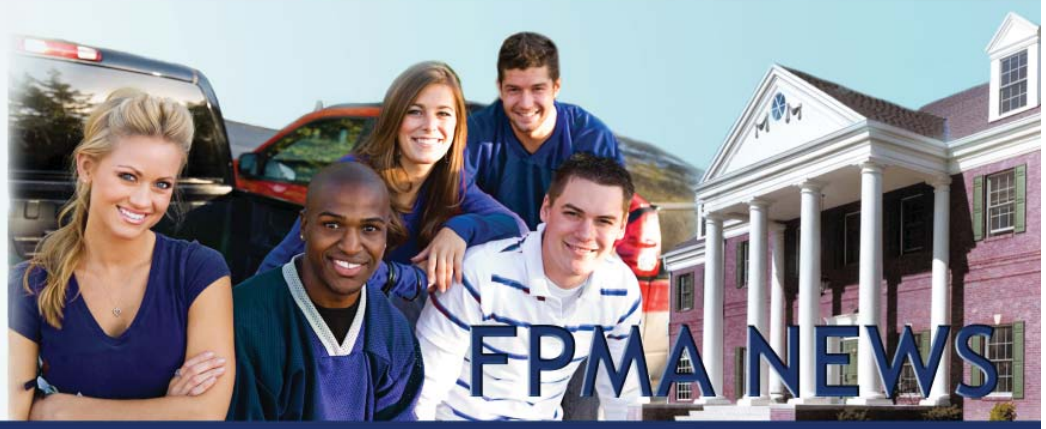




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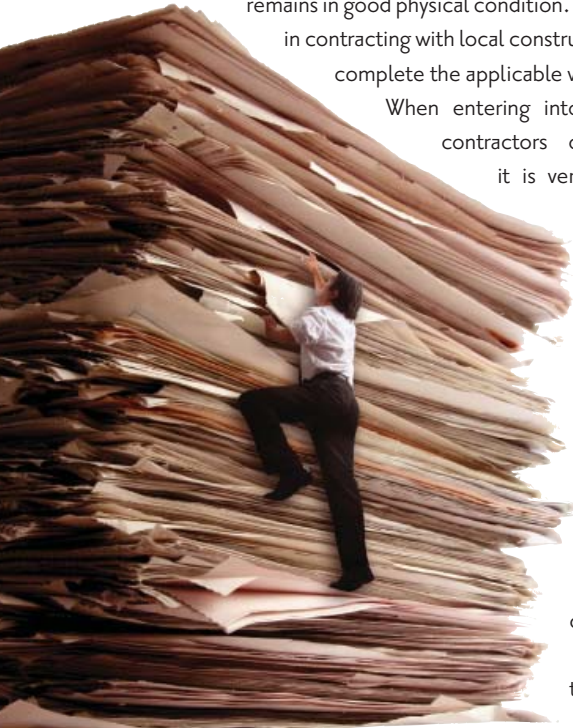


The Fraternal Property Management Association Newsletter from HRH/Kirklin & Co. LLC.

# CONTRACTS

By Mick McGill, Client Service Executive and an initiate of Kappa Sigma

The roles and responsibilities as they relate to the ownership and property management of a fraternity house can be complex and time consuming. A facility housing a large number of undergraduate students requires a hands-on approach and constant monitoring to ensure the facility remains a source of pride for the fraternal organization and also provides a safe living environment for its tenants. Owners and Housing Corporations are constantly identifying and making decisions as to what construction projects are warranted to ensure the facility remains in good physical condition. This process results in contracting with local construction companies to complete the applicable work.



When entering into agreements with contractors or other entities, it is very important to be wary of the terms and conditions associated with these contracts. It is not unusual for the terms and conditions of a contract to be very one sided and to favor the party contracted to complete the work. It is important to take time to review the contracts and make changes to

the terms and conditions as it becomes necessary to protect the owner and/or housing corporations. Below are tips to keep in mind when reviewing these types of contracts:

- Be aware of indemnity provisions of the contract that hold the contractor harmless for any and all losses as well as defense cost if a claim arises resulting from their operations. A contractor should carry his own General Liability insurance, which would respond to claims arising from the contractor's negligence.
- Do not agree to terms of a contract that require the contractor be

added as an Additional Insured on the property owners General Liability policy. If this is done, the contractor can tender the defense and indemnity of a claim to the owner's insurance carrier when, in fact, the contractor's insurance carrier should be the one responding.

- Be aware of contract language that waives the owner's rights of subrogation against the contractor for damages arising from their negligence. If a loss occurs and your insurance carrier responds, they should retain the right to pursue subrogation against the contractor if the damages are a result of their negligence.
- Contracts will occasionally include language that limits the liability of the contractor to the amount of the contracted work. In most cases, this limit of liability will be insufficient when a claim is filed against the contractor leaving the owner exposed for the damages that exceed the agreed limit of liability.

In addition to being cognizant of the contract language, it is important the owner consider taking the following steps before entering an agreement with the other party.

- The owner should require the contractor carry minimum General Liability limits of \$1,000,000 per occurrence and \$2,000,000 Aggregate. In addition, the contractor should also carry a Products Completed Operations limit of at least \$1,000,000.
- A property owner should request the contractor add the owner as an Additional Insured on their General Liability policy. This affords the owner the opportunity to tender the defense and indemnity of a claim to the contractor's insurance carrier when it is appropriate. Proof should be obtained through a Certificate of Insurance documenting the limits of liability and that the owner has been added as an Additional Insured on the General Liability policy.
- If you are entering into a contract which includes significant work, we recommend that you have your attorney review the contract and make any modifications necessary to the language prior to signing and officially entering the agreement.

When a significant loss occurs, it is possible that all pertinent parties could be pulled into a claim or lawsuit. Although this remains a possibility, by following the recommendations outlined above, an owner or Housing Corporation will be in the best possible position to deal with this situation if it arises.

# 2008 FPMA Property Insurance Renewal in Review

By: Richard Jungman, Vice President – Client Services & Operations & Initiate of Phi Sigma Kappa

By the time many of you receive this semester's newsletter, you will have already received your property insurance renewal. As some of you may have noticed, the 2008 renewal resulted in a number of changes. First, we were successful in negotiating a rate reduction for a second consecutive year.

The reduction can be attributed to two factors:

1. The lack of any significant catastrophic events since 2006 has created increased competition amongst property insurance carriers; and
2. Improved loss experience among FPMA participants.

In addition to successfully negotiating a rate reduction this year, we were also successful in providing a number of coverage improvements.

Highlighted below are the coverage enhancements which are effective with the April 1<sup>st</sup> renewal.

- **Guaranteed Replacement Cost** is a very valuable coverage enhancement of the FPMA commercial property insurance program. It provides the Insured with a promise from the insurance carrier to pay the actual loss for like, kind and quality repairs and replacement regardless of the limit stated on the policy. Two changes regarding GRC we would like to highlight:

- **Qualifying for Guaranteed Replacement Cost (GRC)** coverage is being simplified. The key change is the removal of the minimum value per square foot, which was previously \$110.00 per square foot, including basement square footage. The only requirement to obtain GRC protection is to insure to 100% of the Boeckh Valuation System (BVS) replacement cost value on file with our office at the time of the last renewal billing.

- **Guaranteed Replacement Cost (GRC)** coverage is now being offered for Business Personal Property (BBP). To qualify for GRC protection a replacement cost inventory for your Business Personal Property (BBP) must be completed, signed and return to our office. If this is not on file, coverage remains to be provided on Agreed Amount basis.

- **Business Income/Extra Expense (BI/EE)** can now be insured for the Actual Loss sustained. To qualify for Actual Loss Sustained

protection, you must insure to a minimum of 18 months revenue. In addition to this minimum valuation threshold, a simple BI/EE worksheet needs to be completed, signed and returned to us. If neither form is completed, the policy will provide Agreed Amount protection, which limits coverage to the stated limit for each line of coverage.

- The limit for increased cost of construction and demolition due to the enforcement of building codes and ordinances (Law & Ordinance Coverage B&C) has been increased to \$500,000 from \$250,000. This additional coverage is designed to protect you from the increased cost of construction due to

the enforcement of current building codes and ordinances when a covered building sustains significant damage. Situations occasionally arise where a covered building was not previously required to meet all current building codes; however, must now do so as part of the reconstruction process.

- The \$10,000 deductible for Freeze and Member/Tenant Vandalism claims has been reduced to the \$2,500 All Other Peril deductible.
- The sub-limits for Outdoor property of \$500 per item and \$5,000 for all items has been removed and is now covered under the Business Personal

Property subject to a Blanket Limit or Agreed Amount, per the requirement previously covered. Coverage is also provided on an all risk basis instead of limited perils previously covered.

- The sub-limit for Property in Transit of \$10,000 has been removed and is now covered as part of Business Personal Property. Coverage is afforded on either an Agreed Amount basis or on a Blanket Limit basis, subject to the Blanket Limit requirements outlined above.

Each form required to be completed to qualify for GRC protection on the BBP coverage and Actual Loss Sustained protection on the BI/EE can be found on line at [www.kirklin.com/Educational\\_Resources/Risk\\_Management\\_Resources/](http://www.kirklin.com/Educational_Resources/Risk_Management_Resources/).

We are pleased with the outcome of the 2008 renewal and hope you are as well. All participants of the FPMA Property Insurance Program play an integral role in impacting future cost of the program by implementing necessary safeguards to prevent avoidable losses and by taking the necessary steps to mitigate damages after a loss occurs. HRH/Kirklin & Co., LLC is committed to assisting you in this important endeavor. Please visit our web site at [www.kirklin.com](http://www.kirklin.com) and check out the numerous risk management resources available.



# SUMMER BREAK NOTICE

Before you know, it will be the last week of school and students will be completing final exams! Summer break, or the months of May through August, is a high risk period of time for chapter houses. It is imperative you take the time to properly prepare your chapter house for the summer break period.

## FPMA Loss History

If you take a look at the loss history of FPMA, it is easy to see why summer break preparation can make a big difference. Here are the simple facts:

- 30% of all claim payments made were due to losses occurring over summer break.
- 72% of those claim payments were made on fire losses. 90% of fire losses were due to human error.
- 22% of all claims reported over summer break were due to vandalism.

Minimize your risk of losses during the summer of 2008. Following our recommended steps will help to minimize your exposed risks and provide a safe chapter environment.

## Summer Break Checklist

- Inspect all rooms/suites, document damage and collect payment from security deposit
- Complete routine maintenance on furnace/boiler
- Clean and inspect all roof drains and gutters (contact a local professional for this service)
- Repair all broken windows and doors to prevent damage from inclement weather; ensure that doors latch completely
- Have a roofing contractor inspect the roof, provide a written recommendation and repair any immediate concerns
- Contact emergency service company to conduct an inspection and service emergency lighting, alarm equipment, fires suppression and sprinkler systems
- Clean exterior of chapter house and check security/safety lighting
- Clean/service fireplace and chimney and check for defects or debris
- Inspect the hot water heater and exposed water lines and drain pipes for slow leaks
- Remove and dispose of lumber, mattresses or other debris outside the facility, especially near the dumpster
- Unplug and store unused appliances
- Service and clean stoves, ovens, hood ranges and other kitchen equipment



- Inform the host institution (college/university) as to whether the residence will be occupied or not and provide proper contact information for the facility
- Securely lock the property and limit access to only designated alumni/alumnae or undergraduates
- Have a responsible alumnus/alumna, undergraduate or professional property management company check the property daily to ensure a loss has not occurred. A consistent daily presence will deter thieves and vandals. Hiring a professional property management company is strongly recommended.
- Inform local police and/or campus security the property will not be occupied. Provide them with a key/code for access to the facility and ask them to patrol frequently
- If it will not affect the function of your fire sprinkler system or other systems requiring water, turn the water off at the main supply line (contact a professional for this service)
  - When not in use, remove all hoses and store in an appropriate place, preferably inside facility
    - Remove spigot knobs or install locks at each spigot location. Many vandalism claims involve turning on the attached hose and placing it near or in the house with the water turned on
    - If the property will not be occupied in the fall, contact your insurance agent to ensure you are meeting the necessary conditions required of a vacant property to not limit coverage in the event of a loss
  - Hire a mature caretaker to reside in and look after the property in exchange for free/reduced rent if a house mother and/or resident advisor is not available

For a more comprehensive Summer Break Checklist, visit our web site at [www.kirklin.com](http://www.kirklin.com).

## The Leading Risks to a Chapter Facility During the Summer Break Period:

**Fire**  
**Vandalism**  
**Theft**  
**Water damage**  
**Wind**  
**Hail**

## Interested in a quote?

Please contact:

Jen Montagne:  
Marketing Assistant  
jmontagne@kirklin.com  
(800) 736-4327 Ext. 203

## Questions about the Inspection Process?

Please contact:

Kathy Payne:  
Inspection Coordinator  
kpayne@kirklin.com  
(800) 736-4327 Ext. 201

## Current client of HRH/Kirklin?

You may qualify for additional  
discounts?

Please contact:

Steve Wilson:  
Manager Claims &  
Loss Control  
swilson@kirklin.com  
(800) 736-4327 Ext. 209



h i l b r o g a l & h o b b s <sup>sm</sup>

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(800) 328-0522

# Small tax-exempt organizations have a **new** filing requirement

It's short, easy and electronic – It's the new **e-Postcard**

**Don't throw away your tax-exempt status** – be sure to file your **e-Postcard**

### ❖ How do you know if you have a filing requirement?

If you are a tax-exempt organization that normally has annual gross receipts of \$25,000 or less and does not have to file Form 990 or 990-EZ, you must file the **e-Postcard**.

### ❖ When is your e-Postcard due?

It's due by the 15th day of the fifth month after the close of your tax year. So if your organization operates on a calendar year, the **e-Postcard** is due by May 15 of the following year.

### ❖ What happens if you don't file?

You risk losing your tax-exempt status!

### ❖ Why are we calling it an e-Postcard?

Because it's as simple as sending a postcard and it's electronic.

### ❖ Need more information?

Go to **www.irs.gov/eo** for complete details and while you're there sign up for Exempt Organization's free email newsletter, EO Update, to receive up-to-date information posted on the charity pages of **irs.gov**.

