

# FPMA News

The Fraternal Property Management Association Newsletter from Hobbs Group/Kirklin & Co., LLC.

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## The Benefits Of Using A Professional Property Manager

Reprinted from materials provided by David Kelton, President of Greek Management

Considering hiring a Professional Property Manager for your fraternity house? Do you wonder if the service can save you time and money as well as the headaches of being an absent landlord? According to David Kelton, President of Greek Management, there are four key areas where a professional property manager may relieve your stress.

### First is **Planning**.

This begins with a Facility Audit. The audit is conducted only one time, at the beginning of the contract with the professional manager. The manager should discuss with you expenses, income and accounting. He will also need to be provided with the contact information, general information (paint colors, etc.,) and general operations of the building.

**Expenses** is second and involves property maintenance, inspections and planned services. Property maintenance when done by students or volunteers may often entail sporadic repairs or contacting a plumber or electrician on an as-needed-basis. With a property plan and communication with the House Corporation, maintenance is ongoing with the property manager discussing all needs to set a standard and contracting with one firm to make repairs.

Inspections by the property manager helps prevent potential hazards and trouble spots. Monthly or quarterly inspections identify

needs so that appropriate repairs are made sooner.

Planned services take into account the facility audit conducted at the beginning. The audit should establish a list of items needing annual service or upkeep. This list should also include an approximate cost and time schedule for completion. Some of the items to include are boiler recertification, checking fire extinguishers and smoke detectors.

The third key area is **Income**. Greek houses need to follow the example of many apartment owners and seek tenants in November for the next school year. A professional property manager can prepare leases for fraternity members to sign and keep in contact with house corp members or the chapter President for an up-to-date count of resident

members. He/she may also devise enticements or motivation promotions to secure additional house members.

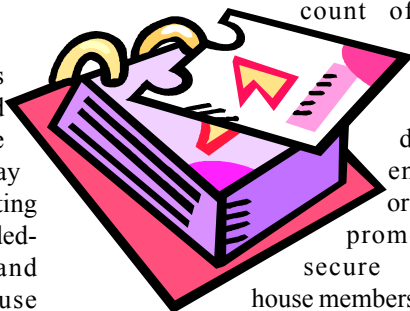
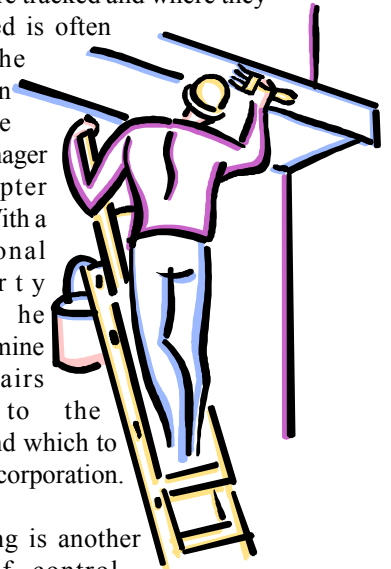
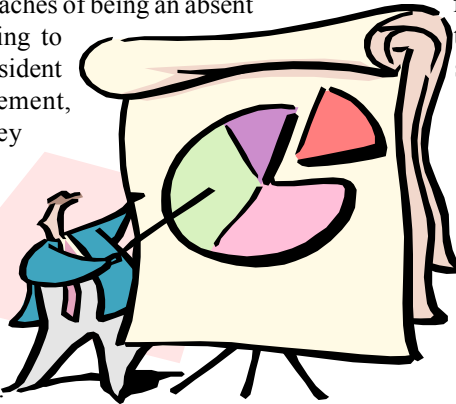
Rent Collection is often a trying time. In most instances, the chapter treasurer sends out invoices and collects the monies, but not always in a timely manner. With an outside firm handling this, the residents know when it is due and that it will be collected on time.

**Control** is the final area according to Mr. Kelton. Control pertains to the financial accounting of the fraternity. How security deposits are tracked and where they are applied is often

left to the discretion of the house manager or chapter advisor. With a professional property manager, he will determine what repairs belong to the chapter and which to the house corporation.

Bill paying is another aspect of control - particularly deciding who has control of this job. Often, a house corporation member or the treasurer takes on this job, or an accounting firm is hired to handle the payments. With a professional property manager in place, you are assured appropriate decisions are made and the chapter does not run out of money or that contractors do not have to wait 60 to 90 days for payment.

Budgeting is included in the financial control. Many Greek organizations do not take the time to budget for unforeseen difficulties. A professional property manager reserves funds for future work that may be needed on the property.



# COVERAGE CORNER

by Richard Jungman, Manager of Claims  
Hobbs Group/Kirklin & Co., LLC

## Understanding Peril Based Deductibles

In an effort to provide an affordable \$2,500.00 deductible on a majority of covered cause of losses and a financial incentive for fraternities to manage easily avoided risks, the Fraternal Property Management Association's Property Insurance Program assesses a \$10,000.00 deductible for losses resulting from certain perils. Under the policy form **SB 86 96 ed. 11/97 Fraternity Select Business Policy Plus**, the deductible for freeze losses is increased to \$10,000.00.

Considering the amount of money your chapter could be responsible for in the event of a freeze loss, the time and money needed to avoid such losses are insignificant. Thanksgiving, the first extended break of the school year, is fast approaching and then it will be Winter Break. Past claim experience proves these two breaks are high risk periods for freeze losses. This is primarily due to the chapter house not being properly prepared prior to the break and being ignored during it.

The chance of a freeze loss is not just isolated to chapter houses located in the north. In fact, chapter houses in the north, typically, fair far better than their counterparts in the south. In 1998, a wide spread cold spell stretched deep into the south. Most chapter houses had not been prepared for it and the result was almost \$1.8 million in losses being paid out over Winter Break!



To ensure your chapter house is prepared for Thanksgiving and Winter Break, at minimum, the following should be done:

- Set the thermostat at 60 degrees and leave it on!
- If you shut the heat off, the plumbing system must be

shut off at the main supply line and the water lines drained.

- Have your furnace serviced yearly in the fall to ensure it is functioning properly.
- If your furnace is on its last leg, start to prepare to replace it. In many claims that occurred due to a malfunctioning furnace, the \$10,000.00 deductible was more than the cost of replacing the furnace.
- Open the faucet to a slight drip. The water is less likely to freeze when it is circulating.
- Remove all hoses from exterior faucets.
- Open the cabinet doors where plumbing is located to allow heat to enter.
- Insulate problematic plumbing in exterior walls. Pipes in north facing exterior walls tend to be the culprit and need extra attention.
- Keep your utility account current. If you allow your account to become delinquent, utility companies will shut off the power.
- Lock the doors and windows so only authorized people can access the chapter house.



During the break, you should hire someone or have an alumni keep an eye on the property. He should walk through the property daily to ensure the furnace is still functioning and there hasn't been a loss. If a loss is discovered, the main water supply line should be shut off immediately and the appropriate parties contacted. We recommend

caretakers be provided with the following information:

- Housing Corporation President's and Chapter Advisor's complete contact information.
- The telephone number of a company specializing in emergency restoration work such as ServiceMaster. A ServiceMaster near you can be located at [www.servpro.com](http://www.servpro.com) or by calling their toll free number 1-866-214-5410.
- The instructions on filing a claim with your insurance carrier and the policy number.

By being prepared, you can ensure your tenant's return to a chapter house in good condition and avoid the significant financial impact of a freeze loss.

## Smoking Policies

by Richard Jungman, Manager of Claims

Smoking is the leading cause of chapter house fires, costing insurance carriers millions of dollars each year. Within the FPMA program over the last two years, 50% of all large losses were caused by careless smoking resulting in over \$1,000,000.00 being paid. You need to develop a policy and incorporate these recommendations:

- Completely ban smoking and candle burning inside the chapter house. With the candles, if they are used in a formal chapter ritual, that would be the

exception to the rule.

- If a complete ban of smoking is not feasible at the chapter, then allow it only in a designated area and make sure that proper extinguishing equipment is available and it is dumped daily after it has been doused with water. Smoking should not be allowed in tenant's rooms. There should be no compromise on the candle issue. Candles and undergraduates = a disaster waiting to happen.
- Incorporate the prohibition of smoking and candles into your lease agree-

ments with the tenants. Make sure it addresses that if damage is a result of a fire that starts in their room as a result of careless smoking or candle burning, they agree to be held personally liable even if they didn't smoke the cigarette or light the candle. This will help monitor the compliance of your policy through self policing.

- Make sure the tenants are aware of the condition in their lease and make sure the policy is communicated regularly to the undergraduates. The message must be communicated frequently with this age group.

# The Seven Habits of Highly Successful House Corporations

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## 1. Operate Like a Business

- Incorporate.
- Communicate and stay involved with University House Corporation committees and your National House Corporation if applicable. Conduct regular meetings (quarterly for the entire board, monthly calls and e-mails for the executive committee).
- Prepare written reports for all meetings and mail an annual report.
- Conduct monthly property inspections - both for cleanliness and maintenance.
- Prepare and follow an annual budget, as well as a five-year plan.



- File all required government reports.
- Outsource critical functions and review all expense annually to see if they can be lowered.
- Develop a well-balanced board (age and experience).
- Coordinate with the Alumni Chapter and undergraduates to ensure

that an effective alumni program is in place.

- Have a check-in, check-out procedure and a minimum of annual professional cleanings.

## 2. Execute a Use Agreement

- Specify the amount of rent and who is responsible (include rent, kitchen, reserve fund, parlor fee, security deposits).
- Have a set of house rules and policies.
- Specify the right of the House Corporation to terminate the agreement.
- Require the chapter to obtain written housing contracts with security deposits.
- Require the chapter to provide monthly accounting reports to the House Corporation.



## 3. Charge Market Rent

- Charge market rent based on apartments, dorms and other fraternities (research these numbers at least every two years) - if your facility is among the best on campus, your rent should be among the highest.
- Rent should cover all facility related expenses.
- Involve the undergraduates in the

setting of the rent.

## 4. Establish a Maintenance Reserve Fund

- Establish and fund maintenance reserve and replacement funds.
  - Rule of thumb is 10 percent of gross revenues.
  - Complete a maintenance reserve analysis every five years.
  - Complete maintenance and replacement every summer.

## 5. Reduce the Debt

- Rule of thumb is \$10,000 per bed, but may be higher or lower depending on revenue sources.
- Continue to charge market rent even when debt is paid off.



## 6. Fill the House

- Require that the chapter pay full rent if every bed is not rented. Set the line in the sand and stick to it.
- Require the chapter to follow a priority placement point system (will be used for room selection and move-in if the house is not full)
- Close the house in the summer unless it is marketable for the summer or it plays a significant role in summer rush.

## 7. Develop a Sense of Ownership in the Undergraduates

- Instill a sense of ownership and team-play by letting undergraduates participate in decisions and attending all board meetings
- Speak at a chapter meeting once per semester.



## WHAT IS FPMA?

\* An association developed to make fraternal house or alumni corporation officers better property managers through education and other assistance.

\* Providing a comprehensive and competitive Property and Boiler & Machinery insurance program to protect the physical plant of the association participants.



Would you like a premium quote?  
Please provide the requested information to:

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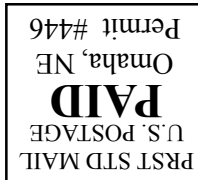
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## **The Inspection Process: An Important Aspect of Your Insurance Coverage**

*by Kathy Payne - Inspection Coordinator*

The inspection process is an important aspect of your insurance policy and renewal. A biennial inspection is conducted on each property insured by Hobbs Group/Kirklín & Co., LLC. It is used to determine the property risk as well as review each building's value to ensure the location is properly insured.

Each chapter needs an inspection contact; preferably a member of the House Corporation or a professional property manager. It is beneficial to have local alum in charge of the process.



Prior to the inspection, the contact is notified by postcard that a representative of Overland Solutions will phone them to set up an appointment. After notification, the contact should prepare the undergraduates for the inspection. Additionally, he should be present during the inspection to address the inspector's questions and concerns.

A copy of the inspection report is forwarded to the chapter contact after it has been reviewed by the Inspection Coordinator at Hobbs Group/Kirklín & Co. LLC. Any recommendations for compliance or value deficiencies are communicated in the accompanying letter. It is the responsibility of the inspection contact for the chapter to achieve compliance of the recommendations, review coverage concerns and return any necessary paper work to the Kirklín office in a timely manner.

If questions arise in reviewing the report, contact the Inspection Coordinator. If necessary, the inspector will be contacted to further explain any thing that needs clarification. Achieving compliance and maintaining it should be achieved in tandem with the undergraduate house manager. Together, the inspection contact and house manager should schedule work weekends, daily maintenance and a local fire department inspection.

Documentation may be necessary for recommendations requiring additional time for completion. Chapters with a large number of recommendations or those with excessive property hazards will be contacted by the Claims Manager to set up a time table for completion. Properties not responding within the allotted time frame for achievement of compliance or value deficiencies will be reviewed by the FPMA Underwriting Committee. If compliance is not received, your chapter may incur the cost of an annual inspection. If a property is deemed an unacceptable risk, it will not be allowed to participate in the FPMA Insurance Program. It is to your benefit to commit the needed time and money to ensure compliance and continued coverage.