

## WHAT IS RISK MANAGEMENT IN THE COMMON INTEREST COMMUNITY?

By: Sara E. Barry, CMCA, PCAM - UNLV Certified Paralegal  
Director of Operations, Wolf, Rifkin, Shapiro, Schulman & Rabkin, LLP

If you actually take the time to look at historically the common property losses in a Common Interest Community, mitigating those risks seems simple. What are those risks?

- I. Common Property Risks
  - A. Fire
  - B. Electrical – Code issues
  - C. Careless Cooking
  - D. Careless Smokers
  - E. Water Damage
    - 1. Washing Machines
    - 2. Water Heaters
    - 3. Plumbing Pipes
    - 4. Dish Washing Machines
    - 5. Floods or Ice Damming
  - F. Theft and Vandalism
  - G. Arson
  
- II. Common Liability Losses & Proactive Steps/Solutions
  - A. Slip, Trip & Fall
    - 1. Ice on walks and/or stairs
    - 2. Mossy areas on the walks because of continual water running over them.
    - 3. Valve box covers missing
    - 4. Sidewalks heaving or settling
    - 5. Stair railing being inadequate
    - 6. Inadequate lighting in dark areas
  - B. Contractual (Vendors & Others)

Risk Management is a 5 Step Process that makes sense when you think about some careful planning vs. reacting to the claims when they occur.

Here are the five steps:

- I. **IDENTIFY** EXPOSURES TO ANY POTENTIAL LOSS.
- II. **EXAMINE** TREATMENT TECHNIQUES SUCH AS CONTROL AND FINANCING.
- III. **SELECT** THE CONTROL AND FINANCING.
- IV. **IMPLEMENT** THE CONTROL AND FINANCING.
- V. **MONITOR** THE CONTROL AND FINANCING.

Liability inspections in the common interest community are totally different from the enforcement inspections of which we all seem to be so fond. We tend to respond to the squeaky wheel and look for those violations and ignore the liability part of our inspections.

Asking ALL contractors to bring to your attention items that they “feel” could be a potential risk really does help the Board and the Manager to keep on their toes. Even if you do a monthly liability inspection of the property, what happens during the other weeks where the inspections aren’t done? Everyone who works with you should be thinking identification and prevention, which ultimately will keep the assessments down because the insurance premiums won’t sky rockets because of continual claims.

Take a minute to go to the Forms section of the web-site to look for the checklist of what to ask your agent. It is a great checklist developed over the years in the Community Manager classes and those issues that come up in the discussions. It will help you decide which carrier is right for your community based on your risk, which you have carefully analyzed.

After identifying the risks, a decision needs to be made on what will be done about the problem to mitigate the risk this include how to pay for it. It must be monitored on a regular basis to make sure it is working.

Don’t have the “what if” conversation after a claim, meaning that if we had just had a risk management plan in place this would not have happened.

Ask your agent if the companies he selects to offer you have specific Risk Analyst who will come out and work with the Board to identify any potential risks. This is separate from the initial inspection that they do before insuring. IF they come up with recommendations, however, you had better consider seriously taking action as you have been put on notice. Putting your head in the sand just doesn’t work here and it will cost you a lot more in the long run.