



## HOBBS | group

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### URGENT MEMO

DATE: **APRIL 24, 2003**  
TO: CHAPTER HOUSING CORPORATION OFFICERS, UNDERGRADUATE HOUSE MANAGERS & FRATERNITY ADVISORS  
FROM: RICH JUNGMAN, MANAGER – RISK MANAGEMENT  
RE: **PREPARING YOUR CHAPTER HOUSE FOR SUMMER BREAK**

With the exception of Grand Forks, North Dakota, spring has arrived on college campuses across the country. There is something very special about the experience of a school year coming to an end, especially within Greek organizations. There are social opportunities galore. Before you know it, it is the last week of school and you are finishing finals. One of the last things anyone thinks about is what they should do to prepare their chapter house for the upcoming summer break. This lack of preparation can be a very costly oversight in terms of time and money. This year, take a little time, very little money and get prepared. Doing so will ensure your summer is nothing but sun and fun and, if you are an alumni or faculty volunteer, time to focus on your paying job!

#### **What are the leading risks to a chapter house during summer breaks?**

We have reviewed the historical claim data from the property insurance programs offered to our clients for the previous six policy years. The data reveals the following to be the four leading risks to fraternity chapter houses during summer break:

#### **Number of Occurrences**

1. Vandalism /Theft – 36%
2. Water Damage – 29%
3. Hail/Wind – 16%
4. Fire – 9%

#### **Total Claim Dollars Paid**

1. Fire - \$3,479,077.62
2. Vandalism/Theft - \$961,491.29
3. Water Damage - \$507,247.88
4. Hail/Wind - \$296,552.99

#### **When you look a little closer, it also shows:**

- Three of the top four occurrences, **and the top three in terms of claim dollars paid**, are categorized as avoidable – vandalism/theft, water damage and fire!
- During the summer months of 1997 through 2002 there were 188 losses. They accounted for **40%** of all losses in a time span that is less than four months long! In 1997, losses during the summer break were **63%** of the total claim volume for the entire year. In 2002, the trend continued to be a big problem with **47%** of all losses occurring during the summer break for that policy year. Worse yet, that 47% accounted for the historical high of **58%** of all claim dollars paid!
- Fire continues to be the leading menace in terms of total claim dollars paid. Over this six year period, **\$3,479,077.62** has been paid on **fourteen** losses that occurred during the summer break!
- **You can make a difference by being diligent in your efforts to avoid the avoidable!**

#### **What can you do to avoid these types of losses?**

- Prior to the end of the semester, inspect each suite, document any tenant damage and collect the amount due from the security deposit. Excellent documentation in this area will help clarify any issue with the carrier in the event of a loss at your chapter's property.
- Thoroughly clean the property and remove all potential fire hazards. Make sure all combustible materials are safely stored.
- Unplug any appliances that will not be used over summer break.
- If you are going to allow members to live in the house during summer break, do the following:

- Have each member sign a housing agreement.
- Appoint someone to oversee daily maintenance, collect rent and pay the bills. **Strongly consider contracting with a professional property management company to work in conjunction with a resident manager.**
- Make sure the resident members are being checked periodically by a local alumnus.

Following these suggestions can go a long way in preventing a catastrophic fire. In most instances, fires that occurred over summer break had an element of human error involved. When the investigation into potential subrogation begins, suddenly no one was living there over the summer break and the potential for subrogation quickly dries up. With signed housing agreements, this would not be an issue. The presence of an authority figure is also a huge deterrent.

- If you elect to not look at summer break as a potential revenue source, hire a mature caretaker to reside in and look after the property. Typically, the arrangement is free rent in exchange for the day to day services the caretaker will be required to complete.
- Whether it is a house manager supervising tenants or a caretaker residing in the property, he should be supplied with the following information:
  - Alumni Contact
  - Information for a local company, such as ServiceMaster, that can respond to problems caused by a loss to make emergency repairs and/or secure the property from sustaining further damage. You can locate a ServiceMaster franchise in your area by calling **1-800-RESPOND**.
  - Insurance claim reporting information. **Members of FPMA can report a loss at our web site, [www.kirklin.com](http://www.kirklin.com), or by calling 1-800-736-4327 ext. (1) 215.**
- If you are going to leave the chapter house unoccupied entirely, make sure the following is completed:
  - Securely lock the property and limit access to only designated alumni or undergraduates.
  - Have a responsible alumnus, undergraduate or professional property management company check the property daily to ensure that a loss has not occurred. A consistent daily presence at the property will also deter thieves and vandals. **We strongly recommend employing a professional property management company.**
  - Advise the local police or campus police that the property will not be occupied. As an additional deterrent, ask that they patrol your area frequently.
  - If your chapter house does not have a fire sprinkler system, shut the water off the at the main supply line and bleed the water lines.
- When not in use, remove all garden hoses and store them in an appropriate place. A number of the vandalism claims reported during summer break involve vandals putting a garden hose with running water into the chapter house.
- Repair all broken windows to prevent rain and vermin from entering the interior of the chapter house.
- Have a roofing contractor inspect the roof, provide a written recommendation and repair any immediate concerns.
- Service your HVAC to ensure it is working properly and does not present a fire hazard.
- If the property will not be occupied in the fall, contact your agent to ensure you are meeting the conditions required by your policy.

#### **What are the benefits of being prepared for Summer Break?**

- You can avoid the expense and the headache associated with an insurance claim. It takes time to work through the insurance process to restore the area damaged by a loss. **You will be able to enjoy the summer. If you are a volunteer, your hourly pay rate stays the same regardless of the number of hours you work, \$0.00!**
- Save yourself money. By avoiding or mitigating a loss, you can avoid all or a portion of your \$2,500.00 deductible. If you have a big loss, you risk losing your committed tenants for next fall due to an uninhabitable property.
- You should also remember that water damage, when left unaddressed, combined with the heat and humidity can lead to mold growth. Mold remediation can be very costly. Your policy limits coverage for mold remediation resulting from a **COVERED CAUSE OF LOSS** to \$15,000.00 per policy year. You could be stuck with a big remediation expense or an uninhabitable facility not generating any revenue.
- Protect your legacy and history from thieves and vandals. A price can be put on everything except sentimental value.
- It will encourage you to be proactive in the area of general maintenance, which in turn can help your organization achieve a positive cash flow.
- Avoid a potential claim surcharge. Most carriers surcharge locations that have losses in excess of a set limit. FPMA surcharges locations with a loss (es) in excess of \$25,000.00 for three years and for five years when a loss (es) exceeds \$100,000.00. This can result in a premium increase of as high as 70%! Talk about creating a budget crisis!

If you have any questions or need assistance with your risk management efforts, please contact Rich Jungman at 1-800-736-4327 x (1)215 or [rjungman@kirklin.com](mailto:rjungman@kirklin.com). The Hobbs Group/Kirklin & CO, LLC specialize in insurance for Fraternal Properties. If you currently are not a client and would like a thorough coverage analysis and competitive quote, please contact Suzanne Haas at 1-800-736-4327 ext. (1)203 or [shaas@kirklin.com](mailto:shaas@kirklin.com). You can apply for property insurance on line at [www.kirklin.com](http://www.kirklin.com).

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