

EXPERT EYE

BY ELLEN ROSENBAUM

Senior Manager – Stratum
Owners Association
Management Services



OA risk management

A community association's risk management program protects association assets from the adverse effects of accidental loss.

There are five steps followed in developing a risk management program:

- Identify exposures to loss
- Select risk management techniques
- Monitor risk management practices
- Improve the risk management program
- Examine alternatives to insurance (such as reserves)

A structured and logical risk management program that is tailored to specific association needs is based on a written risk management policy. This provides a framework for assessing responsibility. A written policy should establish goals and objectives.

The risk management process spots exposures to loss in four key areas, that is, property, liability, net income and personnel.

Property loss can result from natural perils or calamities (sandstorms, hailstorms, etc.), human perils (theft, negligence, etc.), economic perils (new technology, market fluctuations, etc.) and technological perils (internet viruses, hackers, trojans, malicious software, etc.).

Liability loss results when association representatives breach a legally recognized duty or harm one another. Income loss results either from a decrease in revenues and/or an increase in expenses. These exposures often fall under fidelity or crime exposures.

Associations must understand insurance claims and develop a claims administration program, not only to get timely and correct indemnity from their insurers, but also to understand the risks posed by their own association, its members or employees.

Risk management is a complicated process. Associations must submit claims and incident reports, check local rulings and hire trustworthy staff.

Community associations that devote time to thoroughly understand what risk management means and the responsibilities and obligations that it entails, and for identifying the best method of implementing an appropriate program for a specific situation, can ensure the well-being of their association and the community they serve.