



INSURANCE CONSIDERATIONS

FOR PROPERTY MANAGEMENT FIRMS

Property management firms oversee various types of property, including residential (e.g., apartments and houses) and commercial (e.g., stores and offices). They typically assist investors and owners with marketing, maintenance and upkeep of the locations. Employees' core responsibilities include tracking income and expenses, filling vacancies, negotiating rental agreements, monitoring the properties to ensure they are well-kept, collecting rent and responding to tenant issues while adhering to applicable laws and regulations. Property management firms may also be responsible for contracting services or functioning as an asset manager.

Many property management employees work in an office setting. Others are part of building maintenance crews or groundskeeping teams. A property management firm's workplace typically includes offices, reception areas, restrooms, storage areas, employee lounges and parking areas. Some firms operate from a single location, while others have multiple offices. Groundskeeping and maintenance crews may work all hours of the day.

Property management firm employers have many risks to consider, including property damage concerns, premises liability issues, professional liability exposures, employment-related risks, cybersecurity challenges, crime and fraud issues, automobile risks and employee safety concerns. As such, it's important that they obtain proper insurance to cover themselves, their operations, their employees and their clients. Keep reading for an outline of common exposures in the property management firm industry and associated coverage considerations.

Common Exposures

Here's a breakdown of key exposures property management firms may face in their operations:



Property—Property management firms encounter multiple property risks. For example, malfunctioning machinery and equipment, faulty wiring and smoking on the premises can all create fire hazards. Additionally, vandals may damage firms' property. Some property management firms may also be liable for structural damage caused by tenants to the buildings under the firm's control. Furthermore, natural disasters, including floods, wildfires and earthquakes, could create significant losses and leave the firms with high recovery costs.



Premises liability—Property management firms are often responsible for several areas that could create premises liability claims if third parties sustain injuries or property damage on a firm's premises. For example, a delivery person may file a lawsuit against a property management firm if they slip and fall in the firm's office area. A tenant may also file a claim if they are injured in a common area (e.g., hallway, lobby, pool) of a managed property. Structural hazards, inadequate security and poorly lit areas can also present other safety risks.



Professional liability—Property management firms make several important decisions for the locations they manage, and firm leaders may provide professional advice to owners or investors. They may also handle funds (e.g., rent payments) and must adhere to several housing laws and regulations. If their employees provide incorrect or incomplete advice, are negligent in their responsibilities, fail to provide habitable conditions, wrongfully evict a tenant or otherwise mismanage a property, they could be sued and held liable for the related losses.



Employment-related risk—Property management firms are responsible for providing employees with a fair and supportive workplace free from harassment, discrimination and retaliation. If employers at these firms contribute to a hostile work environment by participating in or permitting discrimination and harassment or taking adverse employment actions (e.g., termination or lack of promotion) without legitimate, nondiscriminatory justifications, they could face lawsuits from impacted employees and potential regulatory penalties from employment agencies.

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Cyber—Property management firms commonly rely on digital systems and software for many tasks, such as processing rent payments and screening tenants. With growing cyber threats, such technology could make these operations increasingly vulnerable to data breaches and other digital attacks. For example, cybercriminals may hack into computer systems to steal personally identifiable information, including names, addresses and credit card numbers. Following these incidents, property management could incur expenses related to fines, mandatory notifications, lost or damaged data, legal issues and reputational damage. They may also face costs needed to implement additional cybersecurity measures to prevent future data breaches.



Crime and fraud—Property management firms face crime and fraud risk due to the high volume of financial transactions, both from internal and external bad actors. For example, employees may steal equipment or embezzle rent payments, or tenants may attempt to use fraudulent payments (e.g., bad checks) or engage in other scams.



Auto—Property management employees, including site managers and groundskeepers, frequently use vehicles to travel between properties to complete their work. Whether in an urban or rural setting, owning and operating vehicles carries numerous exposures due to weather, traffic, darkness or other conditions that may contribute to accidents occurring. These instances involving property management employees could lead to bodily injuries and costly repair expenses.



Occupational safety—Property management firms may face exposures due to employees' job-related injuries and illnesses, which could include repetitive motion injuries and injuries from slips, trips and falls. Additionally, maintenance crews and groundskeepers may experience serious injuries from equipment-related accidents, working at height or lifting heavy objects. They may also develop severe illnesses, skin damage or respiratory issues due to the chemicals and materials they work with. If their employees get injured or become ill because of their jobs, employers could be held responsible for their workers' medical bills, treatment expenses and lost wages.

Coverage Considerations

To help address their exposures and potential losses, property management firm leaders should consider the following types of coverage:

- **General liability insurance** can cover costs if a property management firm is held responsible for third-party injuries or property damage. Premises liability insurance can be included in a general liability insurance policy to help cover expenses for injuries that arise on the company's premises. Tenant discrimination insurance can also be included for claims related to discriminatory practices against tenants or potential tenants.
- **Professional liability insurance** covers claims related to errors, negligence or mismanagement in a firm's services.
- **Automobile liability insurance** can assist with the associated vehicle repair and bodily injury expenses if a property management firm's vehicle is in an accident and the firm's driver is at fault.
- **Employment practices liability insurance** can assist with expenses associated with employee lawsuits alleging workplace discrimination or harassment, wrongful termination or discipline, or unlawful failure to employ or promote.
- **Cyber insurance** can help with various costs arising after a data breach or other cybersecurity incident.
- **Crime insurance** can provide coverage for business-related crimes (e.g., theft, fraud, forgery or embezzlement) that employees or third parties commit.
- **Workers' compensation** can help pay for hospital bills, medical costs and lost wages if a property management firm employee suffers a work-related injury or illness.

For additional risk management guidance and insurance solutions, contact us today.