

BRIDGING THE GAP TO RECOVERY: RISK MANAGEMENT AND FACILITIES

BY JIM MCGOVERN

When disaster occurs, action follows. Typically facilities takes the lead in meeting the emergency head on. Decisions are made on the spot that set the tone for the recovery. The more decisive the process, the quicker and more definitive the end product.

It is natural for the facilities group to shoulder the tasks presented by a major disaster except in cases of intellectual properties, such as software glitches or product liability. The garden variety disaster usually directly impacts a physical structure and its real world contents. Fires, floods, storms, and things that go bump in the night all impact physical property. Yet after fifteen years of restoration experiences and nearly ten years of major loss insurance adjusting, the mystery of the disconnected organization is evident in too many instances. Often we see a simple and glaring void between risk management and facilities. In cases where experience had forced and forged a band between the two disciplines, recovery is almost always fast-tracked.

However, when facilities and risk management are not in harmony, chaos follows and lies in a pile at the end of the process. Is this necessary, or a simple by-product of misunderstanding each other? It seems in many cases the larger the beast, the greater the likelihood of a classic disconnect internally.



Recovery of assets is critical to the livelihood of the organization. Recovery of insurance funds is likewise essential to the future well being of both a private and a public entity. If everyone understands this concept, why is there such a delay in settling the insurance claim at the end of the recovery?

Risk management embraces and depends on facilities to right the overturned operations, yet does facilities realize what role risk managers play in recouping the cost outlays? What

will insurance pay for and how does that process work? What is covered and what is not? What documentation will be required and when and how it is presented?

Who is in charge? Who is the decision maker directing facilities and advising risk management?

At the time of a loss event you can manage the recovery, or you can allow the event to manage you and your organization. When we make decisions, we are clouded by our own agenda. In the

rush to be heroes we might be overlooking a bigger picture that ultimately affects a larger piece of the organization.

Facilities handles emergencies every day in some organizations and as such knows where to find vendors for the every day event. When does the event cross the threshold beyond the capabilities of those resources? Does facilities know when to step back and reach out for help and input from others?

Risk management is by nature connected closely with the broker and insurance companies. They are tasked with protecting the organizational assets at the time of a loss event. As such, risk management has access to resources that are in tune with coverage monies and timelines to return to business as usual.

Somewhere between your resource database and a phone book is the answer to timely, cost-effective recovery. Recovery of physical assets and recovery of monies via insurance should be closely related, yet decisions affecting both are often made in a vacuum.

In both of the above case studies risk management is an afterthought, and false starts can be expensive. Insurance professionals deal with the good, the bad, and the ugly every day. Why not reach out early and often when in peril?

Checklist For Bridging the Gap

- Set a level of damage that automatically involves both risk management and facilities.
- Meet at least quarterly to review how the process is working and change as needed what is not working.
- Annually analyze major events to learn lessons of what went well and what could have gone better. History does not have to repeat itself.
- Get to know your counterparts. Risk Managers, Facilities Directors and other key staff need to understand each others' responsibilities and how they interconnect.

Nuts and Bolts

- Does facilities understand the role of insurance and risk management? What is the basis for coverage in the event of a loss?

CASE STUDY #1

Water loss, broken pipe in the ground – floods half of a building. Facility responds, digs up the pipe, repairs the pipe, and extracts water from the building. Risk management is notified, and told the damages are less than the \$50,000.00 deductible. In other words, there is no loss. Three months later, mold in the building is traced back to lower walls under raised computer flooring. After testing, remediation, clearance, move out and move back – \$250,000.00 later – we have a loss.

Risk management and the insurance company conclude there is no coverage for mold. A \$250,000.00 loss with a \$50,000.00 deductible for a loss event of \$200,000.00? What happened? Was there a disconnect?

CASE STUDY #2

Fire suppression system fails, floods multiple suites of a leased building. The property manager calls facilities who begin the process of recovery with the help of a local restoration vendor. Recovery efforts are being driven by image. 'Do not disturb the tenants' becomes the mantra. In an effort to prevent cutting the vinyl wallpaper covering the drywall, an industrial hygienist is called in. The industrial hygienist waffles between calling the water a Class II and III (grey vs. black) water loss. Days of confusion follow and a \$50,000.00 exposure becomes a \$500,000.00 loss event. Mold growth is narrowly avoided and the tenants

- Does risk management wait until facilities asks for help, or do they become proactive?
- Do both disciplines see the bigger picture? How can insurance monies be applied to return to business as usual?

Summary

When decisions are made in the early stages of a recovery, risk management and facilities need to build bridges to assure the proper and full reimbursement for covered property claims. While facilities bears the responsibility to lead the recovery efforts, risk management must assume a proactive role early in the process.

A smooth transition from emergency to business as usual results from the partnership between facilities and risk management. Take full advantage of everyone's expertise to maximize the recovery dollars in a timely manner. Better to meet over lunch than knee deep in a disaster.

ABOUT THE AUTHOR

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