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Risk Management Best Practices in Self-Storage

Presented by

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Storage Risk: What Are the Odds?

Do you feel lucky? Well, do you?

Are you rolling the dice with your business?



Today's Agenda

- The importance of risk management
- Methods to protect your property and revenue
- Risk transfer through insurance policies
- Insurance renewal submission
- Contract review
- Claims management
- Risk control



Risk Management

- Identifying hazards
- Analyzing loss exposures
- Controlling financial impact of the risks they impose

Tools to help:

- Use insurance broker/agent
- Property and casualty insurance procurement
- Contract review
- Incident reporting to identify trends
- Claims management
- Safety policy and procedures



What Is Liability?

- Responsibility for the product offered
- Business owner
- Items stored = leave same condition when arrived
- Limit your liability
 - What did you know about the incident?
 - When did you know about it?
 - What did you do about it?
- Slip-and-fall defense: Courts will still rule that the person had some degree of responsibility for his actions.



Methods to Protect Your Property and Revenue

A. Risk identification – Impact your financials?

B. Risk transfer

- Insurance policy
- Contracts – indemnification clause

C. Risk financing

- Insurance premiums
- Deductibles

D. Risk control

- Safety policies and procedures
- Broker or carrier help
- Daily walk-through inspections
- Incident reports



Risk Transfer: Insurance Policies

- Property insurance: Includes coverage for loss of income (rents)
- General liability: Special endorsements to self-storage industry
 - Customer legal liability
 - Sale and disposal
- Automobile liability
- Workers' compensation
- Umbrella/excess
- Business owner's policy (BOP): Combined single policy for property and liability



Other Policies

Property Manager

- General liability
- Workers' compensation
- Automobile liability
- Employment practices liability
- Cyber liability
- Crime
- Pollution
- Builder's risk



Insurance-Renewal Data

- **Construction:** Gross square footage, not rentable
- **Occupancy:** Number of units, apartment
- **Protection:** Sprinklers, alarms, fence, gate access
- **Environment:** Flood zone, wind state, earthquake zone

- Payroll
- Vehicle count
- Claim history: Loss ratio



Lender Requirements

Loan agreement

- Higher limits or deductibles
- Cover cost of the loan
- Flood (FEMA), wind or earthquake coverage

Proof of insurance

- Additional interest as mortgagee
- Additional insured wording



Tenant Coverage

Tenant insurance

- Cover customer belongings at storage facility
- Premium paid for specific coverage
- Limited lines licenses
- Things to consider

Protection-plan program

- Compare to a warranty
- Some coverage defined by the owner
- Things to consider



Limited Lines License

Required States	
Arizona	New York
Arkansas	North Carolina
California	Oregon
Florida	South Carolina
Georgia	Tennessee
Illinois	Texas
Indiana	Utah
Kentucky	Virginia
Maryland	Washington
New Jersey	

Future Implementation States	
Alabama	Massachusetts
Connecticut	Minnesota
Colorado	Missouri
Kansas	Pennsylvania
Louisiana	Wisconsin

* Ohio is currently pending implementation.



Contract Review

- Lease
 - What it should contain?
 - How it limits your liability?
 - Store at your own risk
- Truck-rental agreement
- Vendor contracts
- Indemnification clause
- Insurance requirements
- Certificates of insurance



Claim Tender?



Claims Management

Claim Reporting

- Complete incident report
- Report the claims directly to your agent/broker
- Timely reporting
 - Claims can be denied if not reported timely
 - Policies are written on an occurrence or claims-made form:
 - **Occurrence:** Reported under the policy the date the incident occurred
 - **Claims made:** Reported under the policy the date the claim was made

Claims Handling

- Decision to settle
- Reservation of rights letter
- Denial letter
- Subrogation
- Lawsuit



Claim Example



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Claims Handling

Decision to Settle

- General release
- Must have a consideration to be enforceable
- Must be signed by a claimant
- Can be used outside of insurance for smaller issues

Reservation of Rights

- Notifies the insured that coverage may not apply and allows the insurer to further investigate or defend a claim without waiving the right to later deny
- Allows the insured to protect its potentially uninsured interests
- Review the ROR letter with your broker/agent



Claims Handling

Denials

- A denial letter is issued by the insurance carrier.
- Review the letter with your broker/agent.
- Check all insurance policies to determine coverage.

Subrogation

- Another party is responsible for the property damage.
- If the insurance carrier handles claim, it can also pursue subrogation.
- If there's no insurance-carrier involvement, submit your own demand package.
- File a claim directly with responsible party's insurance carrier.



Litigation

Some customers think they hit the jackpot when filing a lawsuit.



Lawsuit

- Determine which policy period
- Immediately report it to your general liability (GL) carrier
 - GL carrier may already have a claim
- Discuss assignment of defense counsel with adjuster

Duty to defend policy

- The carrier has the right to choose counsel
- The duty to defend may exist when claim is under a ROR

Duty to pay policy

- The insurer reimburses the insured for funds expended in defending a claim
- Stay involved!



Risk Control

■ Policies and Procedures

- Aid in eliminating or mitigating the risk of loss.
- Develop safety policies such as ladder safety or fire safety.
- Conduct daily walk-through inspections.

■ Training

- Incorporate safety into your daily job duties.
- Provide training for your employees.

■ Resources

- Broker/agents: Assist in policy development
- Carriers: Use their loss-control resources for inspections, trend analysis



It's Up to You!

No one cares more about your business than you!



Contact the Presenters



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Thank You!

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