

## The forgotten lawsuit risks of vendors

**Property managers and owners entrust vendors with the well-being of residents every day, not to mention the success of their business. It's critical that those vendors' credentials be checked thoroughly before they are contracted. Here's why...**

The vendor company should be responsible for background checking its employees, but property owners and managers need to be very careful. If those checks are done sloppily, or aren't done at all, criminals, unstable individuals and other high-risk workers could be assigned to your apartment or condo complex. Sometimes, they could even be provided with master keys or other permissive access.

In a recent court case in Huntsville, AL., a part-time maintenance worker pled guilty to burglarizing and assaulting a woman in a 3 a.m. invasion of her apartment. The 52-year-old had previous felony convictions, but was entrusted with a key that gave him access to the victim's unit. Similar stories run in the news frequently. Just a few months earlier, for example, an Augusta, GA maintenance worker was arrested leaving an apartment on Sunday evening with two stolen computers.

In such incidents the victim is often not the only one who suffers a loss. A crime committed by a vendor against an apartment or condominium resident may result in more than just criminal prosecution of the offender. It could also lead to a serious liability claim against the complex's owner and property manager.

In Fort Worth, Texas last year, a jury awarded a \$3.3 million verdict to a woman who was assaulted by a maintenance man at her complex. The owner and manager were held liable because they knew of some problems that involved the maintenance man, but didn't dismiss him or take appropriate actions to alert the community of the incidents.

### **Be Proactive in Your Hiring Practices**

The key to good credentialing is going beyond just asking the vendor if they background check employees. You as property owner or manager should consider having some independent system to verify vendor-employee integrity.

Credentialing services can also establish that the vendor is a reputable business with appropriate licensing, bonding and insurance coverage. It is important to remember, however, that anyone who conducts background screenings should be aware that federal and state laws may govern both the acquisition and use of

such information. Obtaining certain types of information without permission or using the information incorrectly can lead to civil liability, fines and can open the user up to many types of claims. Property managers and owners should make themselves aware of these laws prior to conducting any background screening.

Liability insurance also plays a central role in protecting apartment managers and owners from the actions of rogue employees, both vendor and their own. If you are brought into a lawsuit because of a property loss or physical injury resulting from an employee related crime, you will need legal defense, and you could be assessed damages—sometimes exorbitant.

If the case gets media coverage or hits the social media sphere, you might also need some kind of professional public relations help. Violent crimes and repeated break-ins can cause other residents to non-renew leases and can depress demand for new leases. Some insurers now offer reputational insurance coverage that will help with the restoration of your property's public image.

There are steps you can consider to give your residents and yourself more security:

- Professional credentialing of vendors
- Ongoing employee/vendor checks
- Appropriate dismissal of vendor employees if problems become known
- Prompt notification of tenants when an issue is discovered
- Immediate rekeying of all units and exterior doors.

And remember that quality insurance not only protects owners and managers from serious financial losses; it also provides adequate compensation for victims of crime if it is a covered cause of loss. Work closely with your agent to make sure your insurance policies are comprehensive and up-to-date, and insist that all vendors prove they have and maintain appropriate coverage.

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