

# POLLINA CORPORATE REPORT

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## INSURANCE PROVISIONS: THE MONSTER UNDER THE BED

### Part 2

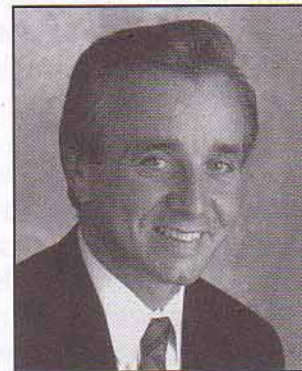
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#### INTRODUCTION

Lease negotiators agree that the most complex, confusing and misunderstood provisions in a lease deal directly or indirectly with insurance. Insurance provisions interact with other provisions such as Use, Fire and Casualty, Operating Expense, Maintenance and Repair, Work Letter, Environmental and Indemnification. Understanding how these provisions interact with and are affected by insurance issues is critical to reducing a tenant's risk.

Whether we like it or not, we in the corporate real estate industry are in the risk management business and we can expect this aspect of our business to grow significantly in coming years. Today, those involved in corporate real estate must be concerned with many issues not encountered 10 or more years ago, including electronic data processing, storage and security, "Sick Building Syndrome," and the Americans with Disabilities Act. Starting with asbestos, a growing number of commonly used materials have and will be deemed hazardous. Add this new and expanding list of risks to the traditional dangers of fire, flood, earthquakes, etc., and an increasingly litigious society, and it becomes apparent that risk management is an extremely important part of corporate real estate. Good risk management contributes to a corporation's overall profitability by minimizing the potential adverse impact caused by casualty and liability losses. Because much of this risk can be dealt with through a properly negotiated and drafted lease and supported by the right insurance, risk management will fall heavily on the shoulders of the person(s) responsible for the lease document.

\* The author would like to acknowledge suggestions for this article made by Joyce E. Armstrong, CPCU, Coopers & Lybrand



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Dr. Ronald R. Pollina is a nationally recognized corporate real estate broker, consultant and negotiator. In addition to representing corporations throughout the United States for over 20 years, he has served on the faculties of two Universities and written over 50 articles and books. As a frequently quoted real estate economist, Dr. Pollina's opinions have appeared in the *Wall Street Journal*, *Business Week*, *Financial Times of London* and other business publications.