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Insurance With Assurance

Caveat Emptor! 11 Questions to Ask Your Insurance Company *by Rick Janis*

What questions should I ask potential insurance companies so I can make an informed decision, get the right coverage and better protect myself?

Caveat Emptor – Buyer Beware. The insurance marketplace has changed substantially in the last 9 months. Some insurance companies have gone out of business and many just won't provide insurance to our industry. For a while the market will be narrowed down to just a handful of players. However, it won't take long for new insurance companies to come in because they see huge opportunities. They see diminished competition, increased prices and therefore a huge potential for a considerable profit.

Whether those new insurance companies will make substantial profits off of our industry remains to be seen. But these new players may never have been involved in writing insurance for alarm and monitoring companies. They may not understand the significant type of catastrophic losses such as life safety and property claims that the industry can generate.

The property value catastrophe may not be obvious at first to these new companies. For instance, alarms are installed in industrial settings where they monitor temperature, electric shut-off and other situations involving controls, which, if the signal is not sent for the proper control indicator, can result in millions of dollars in damage. Will you be covered?

You may have a wider selection of companies with some seemingly great prices to choose from, but it doesn't necessarily mean that the carrier has the expertise or appetite to stay in this industry. The coverage being offered may not be written with your best interests in mind because again, these companies may not understand what coverage is needed. When they go out to adjust or settle a claim, they may not even have the experience to settle it in your best interests.

Some may only be testing the waters and may get out when they realize the losses turned into them don't meet their expectation level.

With that in mind, here's a checklist you can use as a qualifier. Ask potential insurance companies these questions to see if the money you're going to send them is going to purchase the coverage you need when a claim occurs.

1. Is your insurance company based in the U.S.?

2. Are they an "A" rated carrier according to A.M. Best & Company?
3. Is the policy written on an occurrence basis rather than a claims-made basis?
4. Is the policy written on the Comprehensive General Liability ISO form, 1996 edition date?
5. Is the policy written at a per Occurrence limit with a General Aggregate and Products/Completed Operations Aggregate of twice the Occurrence limit?
6. Does the policy include a per job/project Aggregate?
7. Does the Errors & Omissions form provide full E&O coverage or is it limited?
8. Are legal defense costs unlimited and outside the policy's limits?
9. Does the insurance company include automatic coverage for additional insureds such as landlords and franchises?
10. Does the policy include an Extended Property Damage form?
11. Does the policy include Lost Key Coverage?

If you answered yes to all of these questions, then you're on the way to making an informed choice for your insurance carrier. The wrong choice may save you some money initially but will cause more headaches in the long run. All one has to do is look at the past problems caused by insurance companies offering cheaper insurance. Some unfortunate alarm companies have found out too late that there is no coverage for claims now being turned in because their insurance companies have went out of business and cannot pay or defend any claims.

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