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Insurance With Assurance

The Request to Name an Additional Insured *by Rick Janis*

What should dealers do when property owners demand to be named as Additional Insured?"

When a subscriber asks to be named as additional insured, your answer should be a resounding, "No." On the surface the request might seem reasonable, but the effects can be catastrophic. You might end up paying millions. It could even come down to losing your company.

You might think that you wouldn't have a chance at a large job without agreeing to name the subscriber as an additional insured. But believe it or not, in the more than two years that we've been telling our dealers and monitoring companies not to comply with the request, there have only been two instances that they didn't get the job.

Don't let these guys intimidate you. This is just a bureaucratic requirement and runs under the guise of risk management. Risk management is the identifying and managing of risk. You can either assume the risk or you can transfer the risk. When you buy collision insurance for your car, you're transferring the risk to the insurance company. If you don't buy the insurance you are assuming the risk. Each time you should weigh the benefits and liabilities. When you add an additional insured, you are assuming your subscriber's risk.

There's no reason to do that. In most cases, you've bid on the job and you have either got the job or at least been selected. In other words, they really want to do business with you.

Refuse the request. If you run into a stone wall with the property owner, go to the next level. Once you're speaking with the right person, you can explain, "I have insurance and you have insurance. If it's applicable, you also have worker's compensation. If I am responsible for causing a loss then my insurance company will take care of it."

Then you can illustrate that the request is not simply black and white. There is contributory negligence involved. The subscriber owns and controls the premises. Why should a dealer pick up any of their liability under his policy?

As an alarm dealer, your operations are ongoing. Explain to subscribers, "As long as I have my alarm system at your premises and I am handling the monitoring, I can't afford to name you as an additional insured because you would always be an additional insured. But don't worry, if the alarm fails or doesn't work, you are insured. I have coverage under my policy. No one else who comes in to do work for you carries you continuously on their policy because they don't do the same type of work I do."

You might also tell them, "My insurance company won't allow me to do this." In other words, blame it on someone else.

Here's the final explanation you should give to the subscriber. "You want to put me in a completely unjustifiable position carrying and providing all the liability coverage for you while I'm doing work for you. Yet, you and I have a contract. You've selected me as the vendor of choice and yet now you're creating an adversarial situation."

How will your insurance company feel when they have to pay a claim for someone that you named as additional insured that their insurance company should have paid. They'll raise your premium. The claim is more than your policy limit and you'll have to pay the difference.

No let us ask you a question: What part of adding a subscriber as an additional insured still makes sense to you?

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