

## **Insurance With Assurance**

### **Don't Worry, Of Course I'm Covered** *by Rick Janis*

Do you ask independent contractors or your central station for a Certificate of Insurance? A Certificate of Insurance is proof that they have current Liability/Errors & Omissions and Workers Compensation coverage. If you do ask, do they reply "Don't worry, of course I'm covered" or "Don't worry, I'll have my agent send you a Certificate of Insurance?"

The whole issue is then forgotten, until your insurance company auditor arrives and announces that all those subcontractors, (yes the monitoring station is a subcontractor to you), without valid Certificates will be charged to your insurance premium as if they were your employees. Don't blame him. Your insurance policy contract, issued at the lower premium, was based on the assumption that you would not let others work for you unless they provided you with Certificates prior to commencement of the work. The insurance company is entitled per the terms of the contract to collect additional premiums from you based on the possibility of claims arising out of the negligent action or inaction of one of those subcontractors. This also applies to central stations that should, without exception, require all dealers provide them with certificates. This assures that the dealer is a reliable and responsible contractor who has a strong insurance company behind him that will not leave the central station to deal with the brunt of claims in court.

It may not seem fair and equitable, but the law of tort states that the entity or person directing another is ultimately responsible in a court of law for the resulting bodily injury and/or property

damage caused by that hired entity or person. It may take several months or even years for the attorneys and the court to sort out who and what was directly responsible for the loss. Usually, the subcontractor without proper coverage fades out of the picture leaving you and your insurance company to sort out the pieces.

Some state's law of tort provides for the court to hold both the subcontractor and the general contractor liable as a percentage of their contribution to the occurrence of the claim. This is called comparative negligence and is another compelling reason for all parties to make sure that each provides proper documentation of coverage.

When the subcontractor is responsible for a claim and has proper coverage, your insurance company will investigate the claim and determine that it was the direct result of the negligence of the subcontractor. This does not negatively impact on your insurance since legal defense and investigation are part of your coverage and won't be charged against your insurance record.

Do you already have a subcontractor's certificate? Be careful. The Certificates themselves do not guarantee future policy coverage. Wording on the Certificate absolves the insurance company and/or agent from notifying you of cancellation of the policy. The Certificate states that "the issuing company will **endeavor** to mail . . . written notice to the Certificate Holder named" of policy cancellation. Not one insurance company that I know of ever bothers notifying the Certificate holders. That is why a new Certificate should be obtained from the subcontractor for every job. Most people believe the policy will expire on the expiration date on the Certificate and request a new one then. An additional method is to request that an alternate Certificate be provided to you that states "the Certificate Holder will be notified of cancellation."

Why take chances? Make sure each subcontractor you hire provides a Certificate of Insurance documenting proper Liability/Errors & Omissions and Workers Compensation coverage in force. From a pure business standpoint you can jeopardize your excellent reputation, your favorable rates and perhaps your ability to renew your policy.

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