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## **Insurance With Assurance**

### **Certificates of Insurance** *by Rick Janis*

#### **Should alarm dealers ask their monitoring companies for a Certificate of Insurance?**

Definitely! Most of the time, alarm dealers are the ones asked to provide proof of insurance, commonly called Certificates of Insurance. Those are issued on a regular basis at no charge. However, all too often, the alarm dealer - probably because he is so used to being the one to supply Certificates of Insurance to builders and subscribers - fails to ask for a Certificate of Insurance for himself from his primary independent subcontractor, his monitoring company.

From an insurance standpoint, the monitoring company is an independent contractor who has been subcontracted by the alarm dealer to provide monitoring services as a third party. That's explicitly clear through the monitoring agreement that the dealer has with the subscriber. Even in the arrangement where the dealer has a sales and service agreement with the subscriber and the contract is directly with the monitoring company, the monitoring company is still the third party independent contractor providing subcontract monitoring services to that subscriber.

If that were the case, then why would an alarm dealer not request a Certificate of Insurance from the monitoring company?

We raise the question for several reasons. One, believe it or not, we have run across several instances where monitoring companies do not have Errors & Omissions Insurance. Two, a current updated Certificate of Insurance from your monitoring company every year assures you that if a claim, or potential claim, arises, you know not only that they have insurance, but also the name of the insurance carrier who would be responding to the claim.

The certificate should specifically state that there is "Errors & Omissions" coverage. Without that wording then you should contact the monitoring company to make sure it wasn't an error on the part of the insurance agency. If not, then you should change monitoring companies immediately.

Another thing to look for is whether or not they have limits of liability of at least one million dollars per occurrence and two million dollars aggregate. That's the same limit that most alarm dealers carry today so there's no reason that the monitoring companies should have any less. In fact, they should probably be carrying substantially more.

Also take a look at the quality of the insurance company providing coverage. An "Admitted" company has to be licensed and have their rates and forms filed and approved by the insurance department in the state that they are doing business. That provides the insurance department with the clout and authority to oversee that particular "Admitted company's performance and, if necessary, to intercede in a claim dispute. A non-admitted excess and surplus lines company does not have to file their rates and forms with the insurance department in the state that they

are doing business. And, the insurance department has no regulatory authority over them. You want to make sure that the insurance company is an Admitted "A" rated carrier.

In fact, next time you negotiate with a monitoring company to monitor your accounts, part of the negotiation process should include getting a proper certificate of insurance from them.

Then, with a proper Certificate of Insurance in hand from each of your monitoring companies showing they have E&O Coverage and adequate policy limits provided by an "A" rated, Admitted insurance company, you can rest assured that claims will be properly covered.

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