

Editorial Contact: Richard Hahn (716-372-2443)

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Insurance With Assurance

Home Automation and Low Voltage Installations Carry E & O Risks *by Rick Janis*

Why do we need E & O insurance for home automation and low voltage installations?

As more and more alarm dealers diversify by adding home automation and low voltage installations to their list of services, that very diversity presents not only new opportunities but different exposures as well.

Of course, everyone's definition of home automation varies from the truly state-of-the-art, totally home integrated, computer driven systems to low voltage installations such as simple sound and video systems for the family recreation room. If the subscriber opts for an alarm system that incorporates "smart house" protocol such as the X-10 system, the definition of home automation expands.

We have been surprised that most dealers do not recognize that home automation inherently carries some very real Errors & Omissions risks. On the other hand, most dealers now recognize and understand that they need (or are required by their state's licensing laws) Errors & Omissions coverage for the sale and installation of the generic burglar and fire alarm. So far, so good. Obviously along the way we have been doing an adequate job of explaining why this coverage is so important.

Most dealers, who are involved in home automation, do not look at it as an alarm system. They see it as just low voltage wiring to a CPU/controller to perform a variety of simple tasks, such as, shutting the lights on and off with a remote device.

That brings up the question, we are most often asked, "Why do I need E&O insurance for home automation and low voltage types of installations? If something doesn't work, I just fix it. There are no liability issues." What they are really asking is "How is someone harmed by the fact that the lights don't turn on at the designated hour? Is the customer merely inconvenienced?"

Instead of challenging these comments we begin talking to these dealers at length to find out what they mean by "home automation." We also ask them to tell us about some of their installations. What we find out by listening (and what we know from claims reviews) is that "home automation" carries a higher frequency (a high number of claims). For instance, we heard such things as: "we tied the heating/cooling systems in to control time and temperature" or "we tied the sump pump in with a high water device."

Do the above situations sound as if they carry risk to your business because of failure to perform? Of course they do. If the heat fails to turn on and the water pipes froze, damage could be extensive to the furniture and carpeting. If the heat came on during summer vacation,

the furnace running continuously could rack up quite a fuel bill. The failure of lights to automatically come on at a designated hour could lead to your customer's wife getting mugged on the darkened back porch while carrying in the groceries.

Any malfunction from programming, improper installation or improper application can result in claims to the installer. Liability/Errors & Omissions is competitively priced and will protect you against error or omission of installation and programming errors. It's not just for burglary and fire, but home automation and low voltage installations as well.

Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFAA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at rjanis@alarmins.com.