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Insurance With Assurance

Failure to Perform Coverage

by Rick Janis

In spending the last two years researching the lock, safe and vault industry, Janis Program Administrators discovered that no one was providing coverage specifically for the locksmith industry. In the last article, we explained that one of the areas we identified was under the auto policy and we developed an endorsement that would pay for a replacement cost of permanently installed equipment in the vehicle.

From our discussions with locksmiths and our own experience in the alarm industry, we identified another missing area. We needed to address the issue of extended liability for locksmiths. That's how we came up with a form that we call Locksmith Services-Failure to Perform Coverage offered through the Hartford Insurance Company Locksmith Program.

Your current contractor's liability covers you for bodily injury and property damage caused by your negligent acts. However it doesn't address the issue of what the occurrence of that negligent act is outside the terms of the standard Comprehensive General Liability policy. Those terms say that there is no coverage for design error, defect, and damage to property that is in your care, custody and control. There is no coverage for damage to property on which you are working directly or indirectly. There is no coverage for damage to property or for that particular part of that property that must be restored, repaired or replaced because your work was incorrectly performed on it. The policy continues on to exclude damage to your own work and excludes damage to property not physically injured.

This may be a bit of insurance legalese, however, the bottom line is that these are exclusions that knock out all coverage that locksmiths need and have not been able to purchase. Don't worry, if you are on the premises doing work and you accidentally drop a hammer out the window and it falls on someone's car, that's property damage to another person's property and you are covered. But, you are not covered for any damage to any property that you are working on, or to your own lock that you are installing.

What Janis Program Administrators has done is to specifically redefine the definition of occurrence in the policy. Occurrence now means a locksmith's negligent failure to recommend, supply, install or maintain locks or locking devices including electronic or access control devices to the extent required to meet the level of performance expressly or otherwise represented by the locksmith. Then we go on to specifically eliminate the exclusions to damage to property that is outlined above.

This provides locksmiths with a very real broadening of the Comprehensive General Liability Contract. If you are installing a lock, you are covered for property damage to the property on which you are working. For example, if, while installing the lock you damage the doorjamb, that would be covered property damage whereas before it was excluded. If you are installing the lock and you damage the locking cylinder or the door itself, that is also covered because now through the value-added endorsement we've eliminated the exclusions.

Here's another example. Because a lock is improperly installed, someone enters the property and damages the property or takes property. You are now covered and we are going to pay for that

resulting property loss. Again, this is a coverage that previously has been excluded in the standard coverage.

We even take it a step further. Let's say entry was available because the lock didn't work and the premises were vandalized to the extent they couldn't be used by the storeowner. The store might be closed for two weeks while it is being restored/restocked, etc. We will pay for the resulting loss of use of those premises, which could be a very substantial amount of money.

Here's another instance. A guy is re-keying a whole apartment building or is on a service contract to re-key when tenants move out. And he misses one. The old tenant, who holds a grudge, can still get in. He winds up vandalizing the place. Now the place is damaged and the landlord is losing rent. We are going to pay for property damage and the loss of rent till the premises are put back into rentable condition.

In the past, insurance companies have taken the attitude that it's your own risk and they don't consider those things insurable. They feel that if you damage your own lock while installing it, that's your responsibility. It's your business. We're now paying for things that normally the insurance industry says it won't pay for. We've made it our business.

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.