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## **Insurance With Assurance**

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

#### **Why is asking for Certificates of Insurance from sub-contractors so important to my business?**

A Certificate of Insurance is proof that your sub-contractors have current Liability/Errors & Omissions and Workers Compensation coverage.

Otherwise, those subcontractors, (and 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.

Most insurance policies, issued at a lower premium, are 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. According to the terms of the contract, the insurance company is usually entitled 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 but usually, the subcontractor without proper coverage fades out of the picture leaving you and your insurance company to sort out the pieces.

The law of tort from some states 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 won't impact negatively on your insurance since legal defense and investigation are part of your coverage and won't be charged against your insurance record.

One other thing: The Certificates themselves do not guarantee future policy coverage. Most people believe the policy will expire on the Certificate's expiration date and will request a new one then. However, 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 we know of ever bothers notifying the Certificate holders. That is why a new Certificate should be obtained from the subcontractor for every job. Or, you can request that an alternate Certificate be provided to you that states "the Certificate Holder will be notified of cancellation."

Why take chances? 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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