

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

First North American Rights  
© 1999 Richard Janis

## **Insurance With Assurance**

### **Problems with Claims**

*by Rick Janis*

#### **I often hear stories about insurance companies not paying claims. Should I be worried?**

Not if you are dealing with the right company and have the right coverage.

There are two basic areas where people have had claim problems. One is when they've placed their coverage with a Non-Admitted carrier with questionable financial ratings. Two, their coverage may not have been adequately written to cover what they are doing as an alarm company - and may not even include Errors and Omissions.

First, procure your insurance with companies that are Admitted companies. A.M. Best rates insurance companies and assesses their financial strengths.

In school if you receive a "C" you still pass. But with insurance company financial ratings, much like bank financial ratings, only "A" really counts. If you were insured by a company with a "B" or "B+" rating, you would not qualify to work on any bonded or municipal jobs. A "C" company probably wouldn't be allowed to do business in most states. Making sure your carrier is "A" rated is pretty easy to do - just ask your agent.

The insurance departments of each state watch the ratings of each company very carefully. When an insurance company gets down to a "B" rating, and the department feels that they don't meet their stringent requirements and have enough capital, they will prevent them from doing business in the state.

If the company is an Admitted company, then the state insurance department has a lot more control over them. As an Admitted company they have to be approved to do business in the state. A Non-admitted company has the permission of the insurance department to do business in the state but the department has little authority over them. You'll always know if your insurance company is a Non-admitted company because every state insurance department requires that the front of your policy states that fact in bold print. If you're dealing with a Non-admitted company and they refuse to pay the claim, there's not much the state insurance department can do. In addition, the Insurance Guarantee Fund (which is like the FDIC for banks) does not apply to Non-admitted companies.

The second area to watch is coverage. Only four qualified insurance companies offer E&O coverage. Why aren't other companies offering it? The plain truth is that alarm dealers and alarm monitoring business is on the prohibited underwriting list of every other company. When an insurance agent goes to a company other than one of the four to insure your business, he's trying to force a square peg in a round hole.

First, you'll wind up with a company that doesn't write E&O, so all you'll have is Comprehensive General Liability. Once you do the install and leave, that's the end of your Comprehensive General Liability coverage. It's E&O that pays for everything after the installation.

Here's another problem. Most states have fraudulent insurance laws. If you make a misstatement on the application, it's grounds for the company to deny the claim. You may tell your agent what you do but it's the agent that fills out the application and submits it to the insurance carrier. However, the agent may not properly inform the underwriter exactly what the operation of your business entails. He may refer to your business as a low voltage or electrical company - anything but an alarm company because if it were submitted as an alarm company (to a company other than the four), it would be declined.

Now the insurance company can deny the claim because the application was not truthful. Without the proper carrier and coverage you might have been better off not having insurance at all.

*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](mailto:rjanis@alarmins.com).*