

Insurance With Assurance

The Risks of Diversification *by Rick Janis*

The last couple of years has seen the satellite industry expand and diversify into areas outside the usual dish installation. Diversity brings with it the chance for increased profits and greater opportunities. Yet, that very same diversity also presents exposures and risks to your business.

More satellite dealers are talking about home automation and perhaps some are even entering that field. Of course, everyone's definition of home automation varies from the truly state-of-the-art, totally home integrated, computer driven systems to 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.

I have been surprised that most dealers do not recognize that home automation inherently carries some very real Errors & Omissions risks. Errors & Omissions insurance covers you for failing to provide professional service and competent advice. In the security industry, most alarm 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 to alarm dealers why this coverage is so important.

Most dealers that I meet at trade shows, who are involved in home automation, believe it is 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. I was challenged with the query, "Why do I need E&O insurance for this type of installation? 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 I began talking to these dealers at length to find out what they

meant by 'home automation.' I also asked them to tell me about some of their installations. What I found out by listening (and what we know from claims review) is that 'home automation' carries a higher frequency (a high number of claims). As an installation was described to me, I 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 programing, 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 programing errors. It's not just for burglary and fire, but also "home automation" installations.

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.