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Insurance With Assurance

Did You Know?

by Rick Janis

Insurance agents may love facts and figures, but alarm dealers should be very happy with a recent study on reasons homeowners purchase burglar alarm systems. The study, conducted by Andrew Buck, M. Moshe Porat, and Simon Hakim, professors at Temple University, also commented on and documented the types of homes most prone to a burglary.

According to the authors there is undeniable evidence for a homeowner to purchase a burglar alarm system. Did you know that the probability of non alarmed residences being burglarized is 2.71 times greater than an alarmed home? Commercial establishments without an alarm system are 4.57 times more likely to be victimized than are alarm equipped enterprises. Homes near major roadways are more susceptible to burglary, and almost half of the burglarized homes (regardless of whether they had an alarm) are located within three blocks of a major road. Similarly, homes on cul-de-sacs, and end unit townhouses are more likely to experience a burglary

The average burglary loss of an unalarmed home is \$1,674 while the average burglary loss of an alarmed home is \$1,275. Alarms also prevent fires that can incur significant real property and life safety losses. In 1990 there were 2,437,000 residential fires in the U.S. with an average loss of \$6,786.

The most important preventive measure is a deadbolt lock. Other actions to deter intruders are a car in the driveway, burglar alarm yard and window signs, and interior and exterior lights on a timer. For the single best approach to home security there is only one investment according to the authors: An alarm monitored by a central station.

Interestingly, only 8% of alarm owners purchased an alarm system because of the Homeowner insurance discount. The primary reason was simple economics and the study does take the insurance carriers to task for not offering a higher discount proportionate with the value of an alarm system.

For example, the average homeowner's premium is \$450 and the burglar alarm discount (depending upon the insurance carrier) is between 5%-15%. Even at the high end of the discount scale, the premium savings is only \$72. There's not much incentive when the annual monitoring fee alone will be \$250. Clearly, if homes without alarms sustain a threefold increased incident rate in burglaries and the average burglary costs the insurance carrier \$1,674 there is a real monetary advantage for the insurance carrier to offer a real incentive to install an alarm system. If there are 1,000 burglaries, approximately 20% have alarms according to the study. The average savings for an alarmed home is \$399 (\$1674-\$1275). Therefore, \$399 times 200 alarmed homes equals \$79,800 in loss savings(not including softcost claims expense savings the insurers would realize). If the average discount is 10%, the insurers have given up \$9,000 (\$45 x 200 homes) in premium income to save \$79,800 in claim payout. There is enough disparity for insurance companies to increase the burglar alarm discount and still profit.

No one relishes an intruder in their home, especially while they are peacefully sleeping. With that in mind, present the facts and figures to your sales force as useful artillery to close the sale. You might even want to show it to your own home insurance agent.

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.