

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

First North American Rights

© 1995 Richard Janis

Building Your Alarm Business

by Rick Janis

Contracts and insurance coverage are just some of the materials you need to build your alarm business. But be careful. Use the wrong materials and you will need repairs, or worse yet, the building might collapse. The type of contracts and insurance coverage you are building your alarm business with today will affect you tomorrow. Are you prepared for the future? We may not know exactly what the future holds, but we have a fairly good idea judging from past trends.

This is one reason why the alarm industry needs to use proper contracts. Lack of contracts affects the insurance coverage and the availability of insurance. Presently, the insurance marketplace is soft, which means it is competitive. During these soft market cycles, underwriting standards are relaxed. When the market is not competitive and only a few insurance companies are left as willing alarm insurance providers, the alarm industry will feel the difference.

All too often I see alarm dealers and monitoring companies (yes monitoring companies) that do not have contracts or whose contracts do not meet minimum underwriting standards. As an incentive for dealers and monitoring companies to procure quality contracts, we refer our clients to an attorney specializing in alarm contracts. The service is discounted for our customers and provides unlimited access to the attorney for one year.

The point is that at some time in the future, the insurance marketplace will change and the underwriting will become more strict and availability diminished. For those that have quality contracts now you are to

be commended. You will reap the benefits when the marketplace changes. Those companies with quality contracts will still have affordable insurance opportunities. Those that do not have contracts or have ones that do not meet minimum underwriting standards, will find themselves priced out of the insurance market. They will be unable to find an insurance carrier willing to underwrite them. This is not a fear-tactic, but the plain truth about the insurance market cycle. Position yourself for strong underwriting standards and the inevitable tightening of the insurance market.

Contact an attorney knowledgeable in alarm contracts. Have him draw up a purchase and sale agreement, a monitoring agreement, and a service contract agreement. Get all your subscribers (new and old) to sign on. When the underwriting standards change, you will be prepared. You can show your underwriter that you have all your subscribers on signed contracts. By doing so, you'll receive the benefit of insurance availability and better rates. Waiting until the insurance marketplace changes to act is folly. The underwriter wants to be assured that you have been using contracts with all your subscribers, not that you promise to begin tomorrow.

We preach contracts, not just for the benefit of defeating liability claims today, but as a business decision that you should make to position your business for the future. When the insurance market changes, will your alarm business need repairs or be in danger of collapse? Remember, today is not forever, and the lax underwriting or virtually no underwriting today does not insure your insurability tomorrow.

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.