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Insurance With Assurance

Tools and Equipment *by Rick Janis*

Are tools and equipment covered?

A previous question dealt with real property, (your building and the contents of your office) at a fixed location. Now we'll answer how to cover items that move around with you in your vehicle and those at the job site.

Those items are your tools and equipment that you use to sell and install alarm systems. Equipment might include testing equipment, sales brochures and demo kits. Because they are all mobile, they are not covered under Property Insurance.

The insurance industry covers tools and equipment under a form called Inland Marine Coverage. Historically, insurance for ships and cargo were written on marine forms. Then, marine underwriters expanded their realm of authority to include things that move around on land – hence, the name inland marine.

Marine and Inland Marine coverages were never tied to fixed rates or filed rates. Even today, Inland Marine rates are not filed with any state regulatory authority per se.

Generally, the coverage provided for your tools and equipment is the same as that provided under Property Coverage. It can be written on a broad form basis covering all losses of direct physical damages to that property. The policy will then list what losses are not covered. A tools and equipment policy excludes the same perils under the Property form, such as flood, earthquake, and wear and tear. The common losses that you are covering are fire, lightning, windstorm, hail, vandalism and theft.

There is one caveat however. Inland Marine forms are not standard like Property forms. Every company can have the policy written with different language and different perils covered or excluded. That's why it's very important to know what the policy covers. The most common misconception is that theft is automatically provided in this form. You should know that unless your agent specifically tells the insurance company to provide theft coverage, it is not automatically covered.

In addition, there is specific wording, standard to the industry and to the Inland Marine coverage form. For the theft loss to be covered, "there must be visible signs of forcible entry." That means no underwrite is going to cover tools and equipment walking away from the back of the truck or the job site. But if they were locked up in a storage closet or the vehicle - and there are visible signs of forcible entry – you are covered.

Some companies require a list of all your tools and equipment. Others for the most part, just write the policy on a blanket dollar amount. They don't want a list unless a single piece of equipment is worth \$5,000-10,000.

Some dealer's don't supply installers with tools and the installer uses his or her own. Because Inland Marine Coverage is written specific to each underwriter, I can't give a categorical answer, but many policies do cover it.

Another situation arises when you lease or rent equipment. Be aware that when you lease that equipment, the back of the form you sign really holds your feet to the fire. You are responsible for any and all losses to that equipment. "Any and all" goes beyond the coverage you have with your insurance company. You have to add coverage to your policy. Our recommendation is that if you are renting for two weeks or less, pay the small amount per day to the leasing company. It's less expensive and less hassle. If it is over two weeks, you rent equipment frequently and it's a sizable piece of equipment, add it to your policy. That covers the full year automatically for any equipment you may rent and would be your best bet.

The point is that you should structure a policy and make it conform to your type of business. The bottom line is that you have coverage and it is the right coverage.

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