

The Necessity of Selecting an Industry-Specific Insurance Provider

By Josh Ring, President, El Dorado Insurance Services

When you say “insurance” in front of alarm company owners, it generally conjures up feelings of a very large expense for something that is not typically used or understood. For most security alarm firms, insurance is their second-largest expense (behind payroll) and anything that can be done to reduce that expense will be explored. However, this is exactly where company owners can fall into a trap if they are not careful. All insurance programs are not the same and even if you are able to save a few dollars short-term, the long-term effects could be devastating.

Unlike many industries, the alarm industry is a highly-specialized area that requires additional coverages to guarantee that a corporation is properly insured. One of the most important extensions of coverage to look for is Errors & Omissions, also known as Professional Liability. E&O protection is vital to an alarm company, as it provides protection against “failure to...” scenarios. A common example of this is if an alarm installer fails to correctly program an alarm system and the system does not signal the monitoring station. As the claim develops, the attorneys for the claimant could allege the alarm company owners “Failed to properly supervise their employee”, “Failed to properly train their employee”, or even “Failed to properly conduct prior-employment verification.”

Obviously, any creative attorney can produce a number of these scenarios for any given claim situation. Another key combination of coverages for any alarm company would be Care, Custody & Control along with Third Party Theft. It is within these extensions of coverage that your customer’s goods are protected, either through fault of the installer or a third-party participant.

What should concern alarm company owners is that these coverages are not included on a “standard” general liability policy. In fact, these coverages are specifically excluded on most liability insurance policies. There are only a few, select liability insurance programs properly equipped to handle the needs of the alarm profession.

By choosing to do business with an insurance broker who does not fully understand these concerns, an alarm firm could very well wind up with a “DECLINED” claim and be forced to forever close their doors.

What can be done, as alarm company owners, to ensure that these vital coverages appear on your liability insurance policy? The chief concern lies with your insurance broker. First, how transparent are their quotes for your insurance? Do they list all coverages and exclusions that will appear on your policy? If not, that should raise some serious concerns. A professional insurance broker should always list extensions of coverage and exclusions up front, on their proposal. If they do not, how can you be sure what you are purchasing? You certainly would not buy a car based on an ad that read, “2002 Sedan, Black.”

One must wonder if a potential insurance broker doesn’t list coverages that are so vital to this industry; do they really understand the industry at all? Secondly, is your policy being quoted through a reputable carrier with a sufficient financial rating? Like any professional partnership, you want to do business with a carrier (and broker) who are successful and who will be there for you tomorrow. If an insurance broker is quoting you a policy through a company with a B or C rating, this should raise another very large red flag. You should be concerned about the stability of that carrier to be there if you have a claim sometime down the line. Also, how will this lower rating affect your contracts, both current and future?

Most contracts require at least an A- rating, thereby making your company in non-compliance if you partner with a low-rated insurance carrier. Finally, as discussed earlier, insurance for the alarm profession is extremely involved and requires specialized knowledge. Does your prospective insurance broker have a history of providing quotes for the alarm industry? Are they familiar with the service issues that must be addressed on a daily basis?

Insurance is a vital component of any successful private alarm company. Choosing the proper insurance broker to act as your “Buyer of Insurance” is one of the largest pieces to the puzzle. If your current or potential insurance broker does not stack up to the questions previously posed, you are doing your company a disservice and more importantly, putting your livelihood at risk. Because of its’ large expense and the headaches it can sometimes cause, insurance should not be taken lightly. Ignoring glaring issues such as the ones raised in this article may save a few dollars up front, but is it worth the welfare of your entire company?

Josh Ring is the President of El Dorado Insurance Agency, Inc. For over 55 years, El Dorado has represented companies to find the best insurance solutions at the lowest premiums possible. Unlike other insurance brokers, El Dorado specializes in offering tailored programs and services to meet the specific and demanding needs of the security industry. For further questions, please feel free to contact Josh at 800-221-3386 or joshring@eldoradoinsurance.com.

