

Newsline

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Scot Colby

2007 Morris F. Weinstock
Memorial Award



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Errors and Omissions Insurance

The Why and The What

By Richard Poling, Program Manager, Security America Risk Retention Group



Also called “professional liability” or “malpractice,” E&O insurance is needed by any person or organization that may be seen to provide professional services which includes typically a component of consultation or design.

Like all businesses, alarm and other security companies need various types of insurance. One of the most misunderstood, yet most critical, is errors and omissions insurance (E&O).

Also called “professional liability” or “malpractice,” E&O insurance is needed by any person or organization that may be seen to provide professional services which includes typically a component of consultation or design. A business is also seen to be providing professional services if there is a requirement on that business to be licensed, or if the profession requires substantial knowledge or education beyond the ordinary person. In other words, almost all aspects of alarm design, sales, installation, and monitoring can be considered professional services.

E&O coverage protects against claims or lawsuits for mistakes or omissions that result in financial losses to a client or third party. The insurance is not the same as general liability insurance which protects against bodily

injury and property damage as a result of an accident — but it is complementary to and should be combined with general liability insurance.

Unfortunately, financial losses to a client or a third party as a result of an alleged mistake or error can be unlimited. The judgment can far exceed the value of actual replacement cost of property or medical expenses incurred by claimants under general liability. A loss of current and future profits, goodwill, loss of value to something intangible (like a businesses’ reputation) are difficult to measure, and E&O losses tend to involve these type of subjects. Additionally, attorneys’ fees to defend an E&O claim are typically far greater than those incurred in property damage or most bodily injury claims.

Security America Risk Retention Group provides broad errors and omissions protection in conjunction with a tailored general liability insurance program to members of the NBF&A. The program is quite competitive, and we encourage you to obtain a quote. For additional information or to request a quote, please visit our Web site at www.securityamericarg.org or call (866) 315-3838 to speak with a representative.