

SIGNING ON With an Alarm Company

Asking the right questions and controlling the contract

By Robert G. Carroll, CIC

I. B. Leeview was opening a new jewelry store and knew that he would need a good alarm system. I. B.'s cousin had a friend by the name of C. U. Cummin who installed automotive sound systems and car alarms and could get him a good deal on a system for the new store.

In consideration of the location of the store, the inventory, and with the knowledge that UL alarm companies were available, I. B.'s insurance company recommended that he install a UL-listed alarm system (*Underwriters Laboratories*) – and offered reduced premiums for doing so. There are several variables that determine the level of alarm protection that a jewelry store should have, and for I. B.'s store the minimum requirements were “*Extent 2* premises protection, *Complete* safe protection, and *Standard* line security.” All three are specific UL terms that denote the level of protection to be provided.

So when I. B. met with C. U., one of his first questions was, “do you install UL alarm systems?” to which C. U. answered, “sure!”

[Translation: “*I can give you anything you want and a lot of the equipment we sell comes with a UL Label.*”]

I. B. Leeview: “My insurance company requires me to have *complete safe protection*. Can you give me that?”

C. U. Cummin: “Sure.” [Translation: “*I’ll put a motion detector above it; you can’t get much more complete than that.*”]

I. B. Leeview: “It has to be monitored 24 hours a day.”

C. U. Cummin: “No problem.” [Translation: “*I’ll install a ‘digital communicator’ that sends a signal over the standard phone line and sell the monitoring package to my brother’s company, Nightshirt Monitoring.*”]

I. B. Leeview: “Will the alarm go off even if someone cuts the phone line?”

C. U. Cummin: “Sure.” [Translation: “*It’ll make a lot of noise to scare the bad guys away and drive the neighbors nuts.*”]

I. B. Leeview: “The insurance company says I need to have ‘line security;’ can you provide that?”

C. U. Cummin: "Sure." [Translation: "*Guess that means you also want the monitoring company to know if your phone line has been cut. I'll add cellular backup.*"]

I. B. Leeview: "And then I'll need a UL Certificate."

C. U. Cummin: "No problem." [Translation: "*The monitoring company is UL – my brother will give me a copy of their certificate.*"]

Satisfied by the quote and C.U.'s answers to his questions, I.B. signed the contract to begin installation. Continued preparations of the store took place according to plan and in a few weeks I.B.'s store was ready to open its doors.

Since I.B. had reported that he would be installing a UL alarm system, his insurance company requested a copy of the certificate. What I.B. received and forwarded to his insurance company was a document certifying that Nightshirt Monitoring Company met all the requirements of being a UL Central Station.

"It is comforting to know that the monitoring company is UL-listed, but where is the UL certificate on your *alarm system*?" the agent asked. C.U. told I.B. to explain to his insurance company that the document from the monitoring company proved that it was a UL alarm system and that was all there was to provide – and all the insurance company needed.

Wrong. When there is a UL alarm system, a certificate is issued by Underwriters Laboratories *on the specific system that is installed*, not on the monitoring company. It certifies that appropriate UL-listed equipment was used and that it was installed according to published UL standards. These standards also include appropriate placement of sensing devices, wiring, and conduit; and whether the openings and closings of the business will be monitored or supervised.

There should have been a Mercantile or Central Station UL Certificate identifying Leeview Jewelry as the protected premises and describing the level of security that the system provided on the both the premises and the safe or vault – including the method of signal transmission, level of line security, and (if under a Central Station certificate) guard response time.

One of the most important advantages of a UL certified system is UL's verification and inspection program, under which each system is randomly inspected by UL field technicians to assure that the subscriber continues to receive the level of protection from the alarm company that the certificate demands, including prompt response to both alarms and service calls.

The service installed for I. B. Leeview was not a UL alarm system.

Since the insurance company had recommended but not required a UL system, the system that C. U. Cummin had installed might be acceptable if it met the minimum standards of protection.

It did not. *Extent 2* meant that if an intruder took more than three steps inside the premises, motion detection equipment would detect the person's presence. The shop and several other areas of the store were not protected. *Complete safe protection* meant that there was an alarm switch on the door of the safe and that the entire safe was protected by either vibration or touch sensing equipment. A motion detector did not meet these requirements.

The most critical aspect of an alarm system is the communication link – the means by which an alarm condition is transmitted to the monitoring service and hence to the police. When burglars defeat that

link, the premises are isolated and vulnerable. *Standard Line Security* meant that the link between the Leeview Jewelry and Nightshirt Monitoring would be of high level protection (extremely difficult to defeat) such as two-way radio transmission or Internet communication. The digital communicator and cellular back-up that Cummin had installed added a measure of protection but were not equivalent to UL-listed Standard Line Security.

I.B. to C.U.: *"I told you that I needed a UL alarm system and what my insurance required. The system is not UL and it does not meet my insurance standards!"*

C.U.: *"You accepted my proposal and signed the contract. Except for the UL certificate, I can add whatever it takes to meet your insurance requirements – you just have to pay me some more money for the upgrades."*

It isn't as simple as that.

In addition to paying more money to C.U. Cummin in order to have an acceptable system, without the UL certificate, I.B. would pay more for his jewelers block insurance every year -- and he would not have UL looking "over the shoulder" of his alarm company to make certain that his system was installed correctly and that alarm responses and service calls were promptly handled.

Recommendation: Write your requirements into the contract

When purchasing an alarm system, the first call should be to your insurance company for recommendations and requirements. Don't buy an alarm system, have it installed, and then inform your insurance company. If you didn't get what you needed – or thought you were buying – it could cost you more money than you anticipated to make the corrections.

A contract is an agreement between *two* parties; don't be a passive participant. In addition to telling the alarm salesperson what you require, *write it into the contract*. Specify:

1. Whether a UL certificate will be issued
2. Whether exterior openings are to be protected
3. Extent of interior protection
4. Type of safe or vault protection (*complete, partial, or none*)
5. Level of security of the link to the monitoring service (whether there is *line security*" as described by Underwriters Laboratories)

The same holds true when switching from one alarm system to another. Don't rely solely on statements by the person selling to you that the proposed system meets or exceeds the level of protection that is being replaced (good advice when making any kind of a switch, even insurance). A dramatic reduction in cost may be coupled with a hidden reduction in the level of security or service – that even the salesperson is not aware of. Always check with your insurance company or agent before making the change.

Don't believe it if you are told that using UL-listed equipment or being monitored by a UL listed monitoring serviced constitutes a UL alarm system. A UL alarm system means that a certificate is issued by Underwriters Laboratories identifying the alarm company and your specific premises – describing important aspects of your level of security.

If I.B. Leeview had put his alarm requirements into his contract, he could have responded, “*Our agreement was for you to meet these conditions at the price you quoted. I’ve paid the price; you haven’t met the requirements. So meet them.*”

Does Jewelers Block always require a UL alarm system?

Generally no, although there are often good reasons to consider one. Only with a UL alarm system does the jeweler have the advantage of trained technicians looking out after subscribers’ interests by random inspections. It is possible to have an equivalent level of protection from a non-UL alarm company but the benefits of UL’s verification and inspection program would still be absent. If UL-certificated alarm service is available, a jeweler should always consider it. Depending on the relative risks of an individual account, a UL certificated system may be required by insurance.

What about the agent?

A jeweler’s insurance agent should be a person who is knowledgeable and experienced in both the jewelry trade and in security. He or she can help you work out reasonable requirements for your business and evaluate whether you should purchase a UL or non-UL system. With your permission, your agent may also be able to clearly convey your specific needs to your alarm company.

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 (“Jewelers’ insurance isn’t just what we do – it’s all we do.”)*