

# THE IHWA SCOOP

DECEMBER 2021



*Important things to know about insurance  
for your Home Watch Company  
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I am Dave Feightner, Owner of Spectrum Concierge & Accent Cleaning Services and I serve as Vice President of the International Home Watch Alliance (IHWA). My objective is to make a tangible contribution to the overall growth of the Alliance and the value it provides to its membership. As a business owner, properly insuring my company is important to me, and finding solid guidance on this, in the Home Watch industry, has proven challenging. Your IHWA Board of Directors asked me to lead a committee to debunk the myths and misunderstandings of insurance coverages. This project has been underway for several months and the information we've gathered is summarized for you in this article. The most important thing that you need to know is that you can go to your insurer of choice to solicit a quote and coverage based on your specific needs. You just need to know what to ask for!

*MYTH DEBUNKED: You do not need to belong to an organization to obtain suitable coverage for your company. I joined another industry association, (not naming names!) and was told that I could only get suitable coverage for my business as a member of that organization and that is simply not true!*

So continue reading below, and you may find what I did...that better and cheaper coverage may be available out there, just by knowing what you need and shopping around.



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*A New Standard in Home Services.*

# HOW MUCH COVERAGE DO I NEED

## ESSENTIAL INSURANCE REQUIREMENTS FOR THE HOME WATCH PROFESSIONAL

While there are many insurance providers out there, not all of them are going to be offering coverage for the home watch industry, however, one resource you may look into is Kernan Insurance Agency based out of Ohio, their contact info is listed below. Owned by Jerry Kernan. The Kernan Agency can underwrite coverage in all 50 states. They have spent an immense amount of time, energy, and resources to learn and understand the risk associated with our industry, which is important because of the complexity of services and responsibilities that Home Watch companies often take on.

My best advice is to educate yourself and your potential insurance underwriter about the home watch industry. We also suggest you choose an underwriter who writes coverages for multiple home watch companies and ask how many they work with.

In the purchasing of insurance for the Home Watch contractor there are three liability coverage areas that should be considered:

- General Liability
- Contractors Professional Liability
- Contractors Pollution Liability

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## IMPORTANT TO KNOW!

An important element to consider in the purchase of these coverages is the legal defense provided. Many claims brought against services providers such as the Home Watch business owner are without merit or frivolous. However, the legal cost to defend yourself can be enormous. It is important to ask your insurance agent how your policy covers defense costs. Most do cover defense for allegations made that would be covered under the policy terms. However, it would be prudent to ask if the defense costs are part of the policy limits, unlimited, subject to the deductible, etc.

*It should be mentioned that these liability coverages are intended to cover those exposures for which you are legally liable. Therefore, it is extremely important to use a contract with your clients that clearly outlines what your duties and obligations are. It will be money well spent to have an attorney review your standard contract.*



## POLLUTION LIABILITY

Should be written under a Contractors Pollution Liability (CPL) policy and covers Third-Party claims for Bodily Injury, Property Damage and Environmental Damage caused by the performance of covered operations as defined in the policy. These policies will define pollutants and most should include claims for asbestos, lead, chemical spills and mold, among others. Typically, the limit is \$1,000,000 per occurrence and aggregate. There is usually a significant deductible associated with these policies from \$1,000 to \$10,000.



## TYPICAL PRICING RANGE

In terms of pricing of the above coverages, if you are a small firm of 1-5 employees the cost of the GL coverage described before, including the Professional endorsement, should be in the \$700-\$1,000 annual range. Larger firms will be higher as the premiums can be based on revenue, payroll or number of employees. Insurance carriers vary on which basis they use. The premium may also be subject to a year end audit which should be disclosed in their proposal.

The cost of CPL coverage is also usually in the range of \$1,000 annually.

## GENERAL LIABILITY

The General Liability is the starting point for your insurance program. This coverage can be purchased as a stand alone GL policy or, more often, as a package policy or Business Owners Policy (BOP) which can include property coverages and other miscellaneous coverages. The typical limits for a GL policy are \$1,000,000 each occurrence and \$2,000,000 aggregate. Some carriers may offer higher limits on a GL policy or higher limits can be obtained by purchasing an umbrella liability policy.

A very basic definition of GL coverage is that it helps protect your company against claims for Bodily Injury or Property Damage for which you are legally liable. A simple example could include breaking a client's window while at their home. There are other areas covered by GL which include Advertising Damages, Copyright Infringement and Reputational Harm which involve damages you are liable for things like using other company's ads without permission, liable and slander.

While GL coverage is broad, there are exclusions contained in the policy which restrict coverage. Many of the exclusions are there to clearly identify risks that should be covered on other policies more specific to that exposure. An example of such an exclusion contained in all GL policies is injury to employees which would be covered under a Workers Compensation policy. Two other common GL exclusions are Professional Liability and Pollution.

## PROFESSIONAL LIABILITY

Often referred to as Errors & Omissions coverage differs from GL coverage in that it involves negligence in the rendering of professional advice or failure (omission) of rendering proper advice. Professional Liability can be purchased as a stand alone policy but for the Home Watch contractor it will usually be purchased as an endorsement to the GL or Pollution policy. Typically, the limit is \$1,000,000 or subject to the limits of the endorsed policy.



# NOTES ON LIABILITY COVERAGE!

There are two (2) additional things to consider:

1. Admitted Carriers
2. Non-Admitted Carriers

An **admitted insurance company** is backed by your state, which means: The insurance company must comply with the regulations set by your state's department of insurance. If the insurance company fails financially, the state will step in to make payments on claims as necessary.

A “**non-admitted carrier**” is an insurance company that has not been approved by the state's insurance department. They can also be known as “**excess**” or **surplus lines**”. If the insurance company becomes financially insolvent, there is no guarantee your claims will be paid.

Examples of admitted carriers are those you are most likely familiar with such as Nationwide, Liberty Mutual, Hartford, and others. A non-admitted carrier is not licensed or approved by the State Department of Insurance but can legally write policies in the state. The non-admitted carrier is required to charge an additional **5% Surplus Line Surcharge and sometimes other policy fees in addition to the premium**. The most notable non-admitted carrier that you have heard of would be Lloyds of London.

## Worker's Compensation Coverage

Worker's compensation insurance, commonly known as workers' comp, is insurance that covers medical expenses and a portion of lost wages for employees who become injured or ill on the job. Check your State Law for the regulations on coverage in your state. Florida law requires any employer with four or more employees, both full-time and part-time, to carry worker's compensation coverage.

## Worker's Compensation Exemption

A worker's compensation exemption is for an officer of a corporation or member of a limited liability company to exclude themselves from the worker's compensation laws. Requirements vary by state. Check your State Law for the regulations on coverage in your state. Florida counts the “**business owner**” as an employee if they are a corporate officer or member of a Limited Liability Company (LLC). However, sole proprietors and partners of business partnerships are not considered employees under the law. You may be exempt from workers' compensation if your employers have fewer than four (4) employees. However, if there are at least three (3) other employees working with you, you are entitled to benefits unless your employer opted out of workers' compensation insurance.



## OTHER COVERAGES AND INFORMATION

### North American Industry Classification System Code

There is no NAICS code specific to Home Watch. When the agent is securing quotes the code(s) will be determined based on the scope of services offered by the Home Watch Company.

### Additional Insured

The IHWA requires that members list the organization as an Additional Insured/AI on their policy. There may be a charge for this, and charges will vary by the insurance company. Beware of any other surcharges for adding an AI.

### Coverages

In a review of the insurance requirement for your company be sure to consider personal auto use, commercial auto use, Umbrella Policies, and cyber liability coverage. These will be further discussed in a future segment.

Insurance for your Home Watch Business is vital and is an essential means to protect your company, assets, and yourself. This is not an area of your business to take lightly. Risk management is your responsibility.

# FROM THE BOARD OF DIRECTORS OF THE INTERNATIONAL HOME WATCH ALLIANCE

Your Board of Directors is committed to Advocate, Educate and Innovate on behalf of our membership.

This information is presented in good faith and is based on research and data gathered from insurance sources. It is all subject to change and interpretation.

Knowledge is beneficial to you when obtaining insurance coverage that is adequate to cover your needs at a fair, reasonable, and competitive cost. It is vital that you fully disclose the scope of services you offer and update it as your business grows.

There is NOT a One-Size-Fits-All solution.

Learn about your policy and keep an eye out for changes and exclusions that may affect your coverage.

Feel free to reach out to your Board to discuss any aspect of your business and to let us know of ways that we can help you grow your business. We wish you a very successful New Year in 2022!

Contact info for Board Members can be found on our website under Leadership tab



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