

## Insurance Cover for Certification of Security Companies -

### Norms of Expectation

This article provides a summary of the types of insurance cover that a security company operating internationally is likely to need to cover risks and liabilities arising from its operations and activities, and therefore satisfy certification bodies and client contracts. These are norms of expectation and, while not specific certification requirements, there should be strong, clear cover should a security company consider alternate approaches to covering their risks and liabilities. Insurance requirements are specific to each organisation due to its variety of operations and locations, so a summary cannot be definitive, but these are the basics that should be considered to credibly support operations and thus certification. There are brief additional notes in places to explain why. (Note that insurance requirements in client contracts can require higher insured limits and specific conditions).

### Liability Insurance

1)General Liability (aka Public Liability) for payment of claims against your company for bodily injury to others and for damage to third party property. Suggested minimum limit: USD 5 million each occurrence.

- ii. Employer's Liability for payment of claims against your company from employees under the Employer's Liability laws of the country in which the claim has been brought. In the UK this is GBP 10 million. It is essential that independent contractors are understood to be classified as employees for the purpose of this insurance.
- iii. Professional Liability (Professional Indemnity) for payment of claims against your company for professional negligence as a security company (or as the company's operations are described). Claims would normally come from your client. Suggested minimum limit USD 5 million. Ideally this section should provide cover for financial loss of your client as a result of your negligence, and also for negligence resulting in bodily injury or property damage.
- iv. Auto Liability. For those companies operating automobiles on land, vehicles should be insured for liability by an insurer in the country of operation for a minimum limit of USD 1 million. If there is any doubt about the quality or quantum of this local insurance, then 'contingent' auto liability should be bought. Suggested minimum limit USD 2 million.

Important cover details: For insurance to be considered effective during any 3<sup>rd</sup> party audit, or audit by your prospective client, be sure that it is purchased from a reliable and well rated insurer who understands precisely what your company does and, if relevant, knows that firearms are involved in the company's activities. Watch for fraudulent documentation from sub-contractor companies who may not be insured at all.

- a) Worldwide jurisdiction and territorial limits: If the company is operating internationally or with a foreign client, then international jurisdiction cover must be bought so that costs of defence and indemnity in any court of law will be met. If there is no US/Canadian element to

the client contract then US/Canadian cover, which is much more expensive, need not be bought. Similarly the territorial limits (ie where the liability occurred) should match the jurisdiction cover (where the case will be heard).

- b) Contractual Liability: Most liability policies will provide cover for contractual liability to the extent that liability can be proven under contract law but there are often requirements in client contracts that exceed the extent of liability under contract law that have to be agreed to win the contract. Agreement to these excessive contractual requirements should be kept to a minimum but policies should extend to include hold harmless and waiver of rights of recourse conditions which are often found in client contracts.
- c) Additional Named Insureds: Where a client contract requires the client to be named as an additional insured on the company's policy, proof of insurance should be provided. This is only for the client's liabilities should they be joined in litigation arising from the company's operations, not for any other of the client's liabilities.
- d) Local insurance regulations: National insurance regulators around the world have tightened conformity to insurance laws, many of which are new and misunderstood by regulators and insurance practitioners. If a security company's policy does not conform to these regulations the national government can declare the security operation illegal and close it down. Conforming to these laws will be scrutinised for certification purposes.
- e) War and Terrorism: Losses arising from War and Terrorism must be covered under all sections of a Liability policy. US domiciled security companies should understand the limitations of TRIA coverage.

### **Personal Accident Insurance**

Every company has a duty of care to their employees and none more so than in the security sector. Workplace **Personal Accident** insurance should be purchased for each employee or subcontractor to the minimum amount of 5 times the annual salary in the event of death or permanent disability. It is for the company to decide if they want to provide more insurance to employees, but 5 times salary should be considered as a credible minimum norm of expectation.

This insurance should include emergency medical assistance and medical costs following an accident. If there is any possibility of illness from certain tropical disease (such as malaria) then it would be wise to include cover to fulfil duty of care responsibilities.

### **Kidnap and Ransom Insurance also referred to as Special Accident Insurance.**

This is optional and will depend on your risk assessment, so if there is any possibility of kidnap then this insurance could fall under duty of care to employees. Whilst it is necessary to be able to finance the ransom, this insurance provides the essential seasoned and experienced negotiator, including kidnapper intelligence, to optimise the chances of safe hostage release, which is paramount.

**If you need any advice on this or if you want to know more about how to protect your company and seek certification please contact:**

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