



FROM THE DESK OF AN INSURANCE AGENT

ANALYSIS OF LIABILITY INSURANCE NEEDS REGARDING CROTEGA INSTALLATIONS

The goal of this document is to inform to dealer/integrators of Crotega on how the insurance industry analyzes risk and how the industry determines the coverages suggested for the dealer/integrator and building owner.

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The Crotega Interior Threat Suppression System (TS System) presents a variety of liability concerns, with several root causes possible. To better understand how, and to what extent, Crotega, its distributors, or its installers, could be held liable, it's important to assess three variables: the intent of the product, the result of a deployment, and the possible damage caused by a deployment. By assessing these factors, one can arrive at a reasonable risk analysis.

The TS System's purpose is relatively straight-forward. It is intended to deliver a non-lethal response to a perceived threat. This raises the first question that must be answered: what is a threat? For this analysis, a threat will be considered an endangerment to life or property. A threat to life, in general, is more easily defensible, meaning people are less sympathetic to the perpetrator of a violent crime than a property crime. Because of this, deploying the TS System with the intention of preventing violence is easier to defend than deploying to prevent property crime.

Whether the TS System hits its intended target or not, or there is collateral damage, will define the result of the deployment. From a liability perspective, if more targets are hit, there will be higher

exposure to lawsuit. Even in the event of a clear-cut self-defense, if bystanders are hit, they will likely have a solid case to collect damages. This could be the case for the intended targets, as well, as they may be able to make an argument for damages, particularly in cases of property defense. It should be noted that the TS System should not be put on an automated system, as setting traps is illegal in most jurisdictions.

The level of possible damage needs to be assessed in any setting where the TS System may be installed. Obviously, the likelihood of collateral damage is higher in a school, for example, than in a remote warehouse. Higher numbers of unintended targets in an area of deployment will increase the potential for lawsuits. Consider each possible unintended target as a hypothetical lawsuit award number (\$100,000). If there are 30 innocent people hit by a deployment, that would equal \$3,000,000 in damages. This is a hypothetical, but is a good practice in determining an appropriate level of insurance.

With a baseline for determining the risk of the TS System established, specific insurance guidelines can be recommended, while levels may vary. As a starting point, all installers and dealers should carry general liability insurance with an underlying level of \$1M/2M, and an umbrella (excess) of \$3M. This is a bare minimum, and umbrella layers of \$10M would not be unreasonable. Places of business where the TS System will be installed will also need to secure and maintain general liability insurance with a bare minimum of \$1M/2M, with a \$3M umbrella. **It is extremely important to be certain that your insurance does not have an exclusion for having something like this installed. It is also important to understand that failure to notify your insurance company of installation of this could in some cases be considered concealment, and may bar recovery.**

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