

The Californian

The Quarterly Newsletter of



February 2020

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Running a security business is complex. Make sure that you have all the knowledge and resources required to stay compliant with the law and competitive in the industry. This event is beneficial for new private patrol operators, those looking to advance in the security world and industry veterans!

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PRESIDENT'S REPORT

David Chandler, CALSAGA President

Welcome to the first edition of *The Californian* in the new decade! In this edition you will likely be reminded of some requirements that you may have forgotten; you will likely learn some new things and some of those things may even scare you a little. It is not easy to do business in California however, CALSAGA strives to equip you with knowledge and resources to assist in this daunting task. With the economy doing as well as it is, unfortunately for the Security Industry, it is hard to hire and retain quality employees. Many industries in California and across the US are feeling the effect of this employment shortage. Recently one of our board members shared with me that he had seen an advertisement at a fast food restaurant offering \$16 per hour as a starting wage which is \$2 more per hour than he was able to offer for his entry-level positions. Competition is fierce. Make sure that you are taking care of your employees. Quality on boarding

processes and employee appreciation practices can set you apart.

I urge you to register for and attend Security University this year. Even if you are a veteran to the industry, you will find this event beneficial. Our next session will take place March 3rd and 4th in Pleasanton CA. We intentionally limit the number of attendees for this event so that you have the opportunity to engage with our presenters and ask questions. Click here to register.

Of course, I always mention the conference because I believe that you will benefit from being there. The 2020 CALSAGA Annual Conference & Exhibits will be held October 20th - 22nd in Rancho Mirage at the Agua Caliente Resort. Ticket sales begin soon.

I wish everybody a Happy New Year and hope that 2020 is profitable and successful. Reach out to CALSAGA if we can do anything to help you.

Be Safe,

REGULATION CORNER

David Chandler, CALSAGA President

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New last month, the BSIS is now accepting the Firearms Permit Renewal Application online through BrEZe. We are hopeful that this new online renewal process will result in much faster processing times.

Regardless of whether you apply for renewal online, by mail or in person, it is imperative that you apply for renewal 89 days prior to the expiration of your Firearms Permit. The BSIS will not accept the application any earlier than that. Due to the historical length of processing times, permits may expire before the new permit is received if you apply less than 89 days prior to the expiration date.

As a result legislation that went into effect on January 1, 2020, the BSIS will only be able to accept Firearms Permits from individuals 21 years of age or over.

I mentioned this to you last quarter but it is important to remind you to make sure that you have audited all of your training files to ensure that you have a copy Powers to Arrest training for all officers. Failure to do so is a violation of section 7583.6e2 of the Business and Professions Code and will result in fines should your company be audited. Fines will be applied for each instance of a missing certificate - whether you are a small, medium or large company those fines can really add up!

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ASSOCIATION MANAGER REPORT

Kate Wallace



In case you missed the news: at the beginning of the year Kris Smidt stepped into a consultative role of Program Manager and I have transitioned into the role of Association Manager. I came onboard with the association in 2010 as Membership Coordinator and have enjoyed all of the titles and assignments that I have had since that time. I appreciate that I will still work on projects that I love (such as serving as the editor of *The Californian*!) as well as taking on new tasks and challenges.

Kelly Swartzbaugh has joined our team as Manager, Member Services and is currently in the process of reaching out to all of our members. I hope that you have the opportunity to meet Kelly in person this year; one great opportunity will be at the 2020 CALSAGA Annual Conference where all of our staff will be in attendance.

Please do not hesitate to reach out to me if I can do anything to assist or support you.

Please do not hesitate to reach out to me at kate@calsaga.org if you have questions or if I can do anything to support you.

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2020 MARKET FORECAST

Shaun Kelly, Tolman & Wiker, CALSAGA Preferred Broker



Now that we are in a new year, it is good to reflect on the past year and look at what to anticipate for the year(s) to come. Insurance rates and premiums are based on historical loss data, trends, economic conditions and many other factors. We are going to share some 2019 overall industry results, how they will affect 2020 and influence premiums and limit coverage. Then we will review the Security Industry, which is insured primarily through “Program Underwriters”. Many may be influenced by the overall industry results, but more often they beat to their own drum when it comes to premium and coverage changes based on their own experience

2019 Industry

Premium pricing across all-sized accounts increased moderately at 6.2% in Q3 2019, marking the eighth consecutive quarter of rate increases. Large accounts were impacted the most by the hardening market, recording an average premium increase of 7.6%, compared to 5.6% in Q2 2019.

With the exception of Workers’ Compensation, signs of market hardening were seen across all commercial lines of business, which experienced slight-to-moderate pricing increases in Q3 2019. Umbrella and Commercial Auto were hit hardest in Q3, with average price increases of 9.8% and 9.1%, respectively. The average premium increase across all major lines was 5.9%, in comparison to 4.6% in Q2 2019 and 3.4% in Q1 2019.

BY-LINE THIRD QUARTER 2019 RATE CHANGES RANGED FROM -2.7% to +9.8%						
	COMM'L AUTO	Workers' Comp	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Third Quarter 2019	9.1%	-2.7%	8.8%	4.6%	9.8%	5.9%
Second Quarter 2019	8.4%	-2.5%	8.5%	3.2%	5.7%	4.6%
First Quarter 2019	8.8%	-3.3%	5.9%	2.0%	3.3%	3.4%
Fourth Quarter 2018	7.0%	-3.3%	2.9%	1.4%	2.3%	2.1%
Third Quarter 2018	7.0%	-2.6%	2.9%	0.8%	1.4%	1.9%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source: The Counsel of Insurance Agents and Brokers. Chart prepared by Barclays Research

Driving these rate increases have been losses in the property, auto and umbrella lines of business, coupled with low interest rates. Property losses, auto losses and low interest rates can be explained rather easily, however the claims that are piercing the umbrella coverage are becoming more frequent and much more costly than they have been in years prior.

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NEW YEAR, NEW DECADE, NEW LAWS! 2020 EMPLOYMENT LAW UPDATE FOR CALIFORNIA EMPLOYERS

Jaimee K. Wellerstein, Esq. &
Annette M. Barber, Esq.
Bradley & Gmelich LLP,
CALSAGA Legal Advisor



As we ring in a new year and a new decade, California employers are faced with a number of important new laws. Following are some key employment laws taking effect this year:

- Sexual Harassment Training (SB 530):** Last year, California employers were faced with SB 1343 which requires employers with at least 5 employees to provide at least one (1) hour of sexual harassment prevention training to all non-supervisory employees and two (2) hours for supervisory employees in California by January 1, 2020. SB 530 extends the deadline for mandatory sexual harassment training to January 1, 2021, and requires new supervisors to be provided trained within six (6) months of the assumption of a supervisory position.

Note that temporary services employers (including private patrol operators) must train all newly hired employees as of January 1, 2020, within 30 days of hire or 100 hours worked, whichever is earlier. Temporary services employers have until January 1, 2021 to train all current employees.



- Prohibition of Mandatory Arbitration Agreements (AB 51):** Intending to ban mandatory arbitration agreements, AB 51 was scheduled to go into effect on January 1, 2020. However, on December 30, 2019, a federal court issued a last minute temporary restraining order blocking AB 51 from going into effect and scheduled a hearing.

If it goes into effect, AB 51 would prohibit employers from being able to require applicants and employees to enter into arbitration agreements as a condition of employment. For now, the temporary restraining order remains intact and the matter has been taken under submission. Supplemental briefing is to be filed by the parties on January 24, 2020.

- Sanctions for Failure of Employer to Timely Pay Arbitration Costs (SB 707):** Employers must pay all arbitration fees and costs on time. If not paid within thirty (30) days, the employer is in material breach and waives its right to compel arbitration. Employer could then be subject to attorney's fees and costs, and possibly evidentiary and terminating sanctions.

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STAY CONNECTED WITH GUARD TOUR SOFTWARE

INCREASE THE VISIBILITY AND ACCOUNTABILITY OF YOUR SECURITY GUARDS WITH FLEXIBLE TECHNOLOGY OPTIONS

TEAM Software, CALSAGA Network Partner



Using guard tour software to keep track of your security guards is increasingly becoming standard practice, especially given the importance of accountability in the security industry. There are several ways to track your people and assets, and as technology continues to march forward, you have more options than ever before. Guard tour software typically uses one or more methods to track guard location, each bringing varied benefits, and each suited to different types of security contracts and requirements.

One example of a security company implementing guard tour software to achieve operational improvements is Trust Security Services, a privately-owned, licensed security agency servicing Maryland, Washington, D.C., and Virginia. Frustrated by expensive checkpoints, lackluster customer service and device limitations from a previous solution, Trust Security Services needed a better way to provide service to their customers.

Company leaders wanted a flexible tracking solution that would provide more visibility into their work and was backed by powerful reporting. So, they implemented Lighthouse, a workforce management platform from TEAM Software that provides complete visibility

of workforces, mobile forms and workflows, and uses powerful reports to improve service delivery.

Trust Security Services' goals when implementing Lighthouse included showing proof of work to minimize the risk of litigation, gaining a competitive advantage, providing real-time reports to improve the response time of dispatched teams, and accessing past patrol reports to check for accuracy.

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THE IMPORTANCE OF INCREASING COMMUNITY SECURITY

Mark Folmer, TrackTik,
CALSAGA Network Partner



In the aftermath of a string of attacks targeting various communities around the United States, many state officials are calling for more protection. In New York state, for example, the governor has announced increased patrols by the state police in communities to counter what he calls "domestic terrorism." Several state lawmakers across the United States have also asked the National Guard to visibly patrol and protect communities.

In Long Beach, California police will increase visibility and perform additional patrols and have asked the public to alert police if they see anything suspicious. Los Angeles officials have also modified how they respond to world conflicts and terrorist acts as tactics change. Post-9/11, authorities focused on protecting large-scale targets like high-rises, famous landmarks, and airports. They are now looking more at "soft targets" after several attacks targeting crowds of people celebrating in their communities and pedestrians have occurred. Security is also being beefed up at the Los Angeles port and LAX.

Community Involvement

But it's not just physical security that officials are changing.

Some communities are creating neighbourhood safety coalitions, or neighborhood watch programs, which will allow communities to work together to catch signs of crime and violence and report them before anything happens.

"If you see something, say something™?" which became the unofficial slogan of post-9/11 America, is a national campaign that raises public awareness of the indicators of terrorism and terrorism-related crime, as well as the importance of reporting suspicious activity to state and local law enforcement. In the wake of the recent communal attacks, public awareness matters now more than ever.

A few ways you can help keep your community safe: pay attention to your surroundings, get to know the neighbors, use timers on lights inside your home, install motion-sensors on lights outside your home, and never post your vacation dates on social media.

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Last month the CALSAGA Board of Directors convened in Sacramento for the first meeting of 2020.

WHAT'S THE DIFFERENCE BETWEEN AN ATS AND A JOB BOARD?

Jeff Davis, Kwantek,
CALSAGA Network Partner



As we enter a new decade, it's fun to reflect on how hiring has changed over the past 10 years.

The job board landscape continues to ebb and flow. Dominant players from the early 2000's, like Craigslist and Monster, have faded to the background, while new business models and social platforms continue to drive more applicants (is the term 'freemium' antiquated yet?).

Nothing has spurred change more than record low unemployment rates.

High-turnover industries have adopted digital marketing strategies to lure candidates and manage a pipeline. In these industries, the hiring process resembles a funnel. As competition for workers increases, high-turnover companies are rightly tempted to do everything they can to fill the top of that funnel with more applicants.

With dwindling margins and limited recruiting budgets, it's tempting to look at spending all your budget on one job board simply for volume.

But the top of the funnel is only one stage to improve, and there are many ways to accomplish that goal. While job boards have added functionality over the past few years, they still don't have the firepower needed for all recruiting organizations.

Before you make such a move, ask yourself these key questions:

Can the job board manage my hiring process? Job boards are designed to find applicants. Applicant Tracking Systems (ATS) are designed to move those applicants through your hiring process. A 'one size fits all' workflow may not be best for your organization if you have high hiring volume.

How will the applicant data flow into our other systems? Will the applicant information flow into your background check vendor and onboarding paperwork? What about your ERP or payroll?

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Missed something? It is easy to get caught up! Click here to check out past editions of
The Californian: The Quarterly Newsletter of CALSAGA.

DO YOUR FINANCIALS PROVE YOUR COMPANY'S WORTH IN A SALE TRANSACTION?

Robert Perry,
Robert H. Perry & Associates, Incorporated

There have been several very large manned guarding companies sold to Private Equity Groups (PEG's) over the past few years at multiples between 9 – 12 times the seller's earnings before interest, taxes, depreciation and amortization (EBITDA), with nominal adjustments.

But the smaller companies, making up the majority of the roughly 8,000 companies in the US manned guarding market are not valued on the seller's EBITDA when being sold to one of the seller's larger competitors – usually the most generous of the buyers in the marketplace.

The acquisition of these smaller companies are a good source of growth for the larger PEG owned companies; in fact, the investors are demanding a series of acquisitions as a way to add shareholder value. Collectively, the very few PEG's that have invested in the contract security industry over the past 10 years have bought over 200 privately held companies; providing the sellers the opportunity to retire and receive a well-earned reward for their many years of hard work. When these large PEG's grow through acquisitions of smaller companies, they pay a multiple of their (the buyer's) pro forma profit; which is usually much higher than what the seller was making before the acquisition since the buyer, in building the pro forma acquisition model, will consider the elimination of redundant costs of the combined companies after the sale.

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IMPROVING RISK MANAGEMENT NEEDED AS INSURANCE COSTS RISE

Tory Brownyard, Brownyard Group



Over the last decade the security industry has enjoyed what we in the insurance business call a “soft market.” That means underwriting guidelines loosen, making it easy to obtain coverage, and premiums decrease for many accounts. In fact, some security firms have been seeing lower insurance rates today than they had 15 years ago.

However, a rash of large legal settlements is resulting in the hardening of the security insurance market. That is, insurers are losing their appetite for some risk. This means they are instituting stricter underwriting guidelines for security firms, increasing rates and (perhaps) limiting coverage offered, especially to those with a history of severe or frequent claims. Firms with a troubled risk profile are likely to see substantial rate increases.

Large Settlements

Among the large legal settlements involving security professionals in the last 10 years are several in California. In a case dating from 2006 involving a teenager who was disabled following a shooting in a Fontana public housing complex, the security firm patrolling the area was held partially liable for a \$55 million settlement. The settlement was made in 2013 — meaning the case was in costly litigation for years.

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THE BUDDING CANNABIS SECURITY INDUSTRY: A BEGINNER'S RESOURCE GUIDE

Chris Anderson, Silvertrac Software



Over the past decade, states all over the country have been slowly legalizing both medical and recreational cannabis use. However, industry regulations continue to be confusing, especially since each state manages its own cannabis regulations.

In order to better understand where the cannabis industry is going and what it means for your security operation, let's start with some general knowledge of where exactly the country sits on the topic.

Cannabis regulation is almost exclusively managed at the state level. At the federal level, cannabis is categorized as a Schedule 1 substance, grouped with drugs like heroin and methamphetamine. This creates obvious hesitation and concern for entering the industry.

Our goal here is to help shed some light on how you can get in on this \$12+ billion industry (estimated to shoot up to \$66+ billion by 2025) legally - if you decide it's the right move for your business. Given the nature of the industry, there will continue to be an increasing need for security, and some of these bids are worth some good money!

It should be noted, Silvertrac does not take a political or ethical stance on the cannabis industry or use. We are just here to provide facts and information relevant to the physical security industry, should you choose to go after cannabis bids.

Where is it Legal

As of January 2020, 33 states have legalized medical cannabis use and 11 states (along with Washington DC) have legalized both medical and recreational cannabis use. Most notable are California, Colorado, Oregon, and Washington, the first four states to legalize recreational use in the country.

To see a visual of cannabis legalization in the US, check out this map created by the National Cannabis Industry Association (NCIA).

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