



Additional Insured Endorsements

What is an Additional Insured Endorsement?

An additional insured endorsement is an amendment to one party's insurance policy which adds another party (also called the "additional insured") as an insured under the policy.

Important Differences from Contractual Indemnity Obligations

Like contractual indemnity clauses, additional insured endorsements can serve to protect the recipient from claims made against the recipient. From a legal perspective, however, additional insured endorsements are an entirely separate and different obligation. Here is an overview of some of the differences:

- Additional insured endorsements *are enforceable against the insurance company itself, not the party you contracted with*. This can be critical if the party you contracted with goes out of business, or simply does not have the assets to provide the indemnification called for in your contract.
- Additional insured coverage is *determined by the language of the endorsement*, not the language of your contract.
- Additional insured coverage is *subject to the limits of the insurance policy*.
- Additional insured endorsements can often give rise to an insurance company's obligation to immediately provide you with an attorney to defend against any claim *potentially covered* under the endorsement.
- In most jurisdictions, *the legal rules used for interpreting language in insurance documents are different* from the rules used to interpret contractual indemnity language.

In sum, it is fair to say that while additional insured endorsements and contractual indemnity clauses can cover some (but not all) of the same ground, they are wholly separate obligations provided by entirely different parties. Hence, they are both critical aspects of any risk management strategy.

How do I Become an Additional Insured on Someone Else's Insurance Policy?

Usually, this is something that should be spelled out in your contract. This is important for several reasons:

- It provides a record of the other party's obligation, and thus serves as a basis for seeking recovery if the party fails to provide the required endorsement and this results in financial damage.
- Often a policyholder's insurance policy will automatically include parties as additional insureds where the policyholder's contract requires this (such endorsements are referred to as "blanket" additional insured endorsements).

Does the Additional Insured Endorsement Eliminate My Need to Carry Insurance?

No! An additional insured endorsement is not equivalent to your own general liability policy. There are several reasons why this is the case:

- Additional insured coverage usually only covers claims arising from the work or activities of the original policyholder.
- Additional insured coverage is usually limited to the work or location described in the endorsement.
- Additional insureds are rarely provided with a complete copy of the insurance policy, and thus you may not be aware of any other important limitations which may exist in the policy.

In sum, having an additional insured endorsement provides you with a further layer of protection, but is a poor substitute for having your own insurance policy.

When Obtaining Additional Insured Coverage from another Party

Ensure Correct Party(s) Named As Additional Insured: Make sure that the correct party(s) are named as additional insured in the endorsement. This is usually the party listed in your contract.

Require “Primary” Language: When an endorsement states that it is “primary”, it means that it will pay a claim before your own policy pays. This helps preserve the availability of your own insurance.

Coverage for Claims Made Both During and After the Work: Some claims arise while the contract work is ongoing (such as a jobsite personal injury claim), and others only afterwards (such as an asbestos exposure-related claim). Ideally, coverage under the additional insured endorsement should extend to both types of claims.

Coverage for Your Acts: Attempt to obtain language that provides coverage for damage caused by your own acts, rather than just for the acts of the party providing the endorsement.

When Providing Additional Insured Coverage to another Party

Ensure Required Coverage is Available: Before agreeing to provide another party with an additional insured endorsement, check with your insurance company to confirm the cost and availability of the required coverage.

Consider Carefully the Individuals or Entities to be Named as Additional Insureds: Some endorsements cover not only the party you are contracting with, but other open-ended categories of entities (i.e. “property owners”, “related entities”, etc.) for whom you did not intend to provide coverage.

Identify the Policy Limits to be Provided: Ensure that your contract specifically identifies the dollar amount of insurance to be provided. This should be expressed as a specific dollar figure of coverage. This will ensure that the additional insured will not necessarily be given access to all of your insurance.

These are general recommendations only. Since the rules regarding insurance can vary from jurisdiction to jurisdiction, we recommend you consult with a local attorney to ensure your additional insured strategy is consistent with the applicable laws in your state.

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