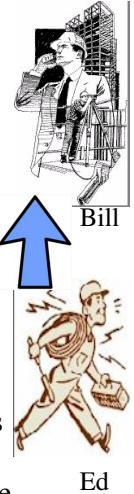


## Additional Insureds—when, why, and should we?

An “additional insured” is someone named on another person’s insurance policy, who can share in defense coverage and other insurance under the policy. Generally speaking, it’s good when others name YOU as an “Additional Insured” (AI) on their policy (because they’re paying for the insurance and you’re getting some coverage), but bad for you to name others on yours, because you’re sharing your insurance with someone else.

When you name someone an additional insured on your policy, they are piggybacking on your insurance; when they name you, you’re piggybacking on theirs.

For example, Ed Electrician (a subcontractor), does electrical work for Bill Builder (the general contractor). Bill Builder requires Ed to name Bill as an Additional Insured (AI) on Ed’s General Liability policy. After the project is completed, a fire destroys the building, and the Fire Marshall determines the fire was caused by Ed’s work. The owner’s insurance company who paid the fire claim then looks to Bill to recover the money. Bill, as an additional insured on Ed’s policy, gets his defense and the fire loss paid through Ed’s insurance. He never has to file a claim on his own insurance. Good for Bill, but a problem for Ed if defending both Bill and Ed exhausts all the insurance.



### Why you would ask someone else to name YOU as an “additional insured”:

- It prohibits their insurer from subrogating against you (common law prohibits one “insured” from suing another “insured”).
- You receive direct policy rights with respect to defense coverage.
- Acts as a safety net if a “hold-harmless” agreement becomes unenforceable.
- Provides vicarious liability defense—for actions of the policyholder, and direct liability defense for your actions.
- Provides higher total limits (you still have your policies)
- Reduced insurance costs today (lower insurance costs are available when you require all sub-contractors to name you an “additional insured”).

**Hold Harmless Agreement:** Where one party (or both) agree that if something goes wrong, you will not go after them for payment of damages. A sub-contractor may be required to hold the General Contractor harmless, meaning that if the GC makes a mistake resulting in damages to the sub, the sub won’t seek damages. Often wrapped into an indemnification agreement... (see next box)

### Reasons NOT to be named as “Additional Insured”

- Loss of defense control (it’s the other guy’s insurance); and dependency on others.
- “Other insurance“ conflicts may arise between your policy and theirs.
- Increased possibility of disputes over coverage.

**Indemnity Agreement** where one party agrees to indemnify, or pay judgments, for damages that happen because of something they did (or failed to do when they should have). A sub contractor is asked to “indemnify” the general, meaning if the sub does anything that results in action against the GC, the sub will pay. Often used with Hold harmless language (see above)

### Your reasons to name others as Additional Insured

- Close relationship with the AI: all members of an insured club, church, or charitable group, or unit-owners of a Condo association.
- Business relationship, especially common with
  - Project owners & developers, named on policies of general contractors;
  - General contractors named on policies of sub-contractors;
  - Owners or lessors of real estate named on policies of tenants;
  - Vendors named on the policies of manufacturers.

### Your reasons to avoid naming others as additional insureds on YOUR policy

- Dilution of your policy limits—you’re sharing your insurance with someone else.
- Unintended coverage provided to someone you might not be getting along with.
- Coverage / Defense conflicts (insureds suing one another)



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