

Making the Most of Additional Insured Coverage

BY ERIKA L. BRIGHT

“Additional insured” status means that your company is insured under the policy of another entity, the “named insured”, usually as a result of a business relationship and contractual requirement between the parties. Additional insured coverage can be a highly effective way to transfer risk, but it is often poorly executed and underutilized.

How do you help your company **maximize this valuable protection**? In your contract with the named insured, take care to:

- Specify the types of required insurance. Where a particular component of coverage is important, such as products-completed operations coverage, specifically require it.
- Specify the minimum amount of required coverage.
- State that the additional insured coverage is **primary** and **non-contributory**.
- Identify the entities to be covered.
- State that the policy may not be cancelled without prior notice to your company.
- Specify a maximum deductible/SIR amount. Specify responsibility for payment of the SIR.
- Ask that the insurer be licensed in relevant states and have a minimum A.M. Best rating. Consider excluding carriers with poor claims practices.
- Provide that the insurance certificate **and complete policy** must be delivered (or at least made available) to your company. Courts have held that certificates of insurance are not binding evidence of coverage.
- Include a waiver of subrogation.
- Include a catch-all provision that ensures your additional insured limits will include the named insured’s full policy limit, notwithstanding a lesser minimum limit in the parties’ contract.

Then, if faced with liability that could possibly be covered by your additional insured coverage, **promptly notify the insurance carrier(s) and request that the named insured also provide notice on your behalf.**



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