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Additional Insured

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What Is Additional Insured?

Additional insured is a type of status associated with general [liability insurance](#) policies that provides coverage to other individuals or groups that were not initially named in the policy. With an additional insured [endorsement](#), the additional insured will then be protected under the named insurer's policy and can file a [claim](#) in the event that they are sued.

KEY TAKEAWAYS

- An additional insured extends liability insurance coverage beyond the named insured to include other individuals or groups.
- An additional insured endorsement protects the additional insured under the named insurer's policy allowing them to file a claim if sued.
- A general contractor might require subcontractors to name the general and the owner on the subcontractor's policies.

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Understanding Additional Insured

Liability insurance provides insurance for the party named in the policy for protection against insurance claims due to injury or damage to property or individuals. Liability insurance policies provide coverage for the costs of monetary payments or payouts that the insured party might be responsible for if it's determined the insured party is legally liable.

An additional insured status in a liability policy extends the coverage beyond the named insured to include other individuals or groups that were not named in the original policy. Additional insured typically applies where the primary insured must provide coverage to additional parties for new risks that arise out of their connection to the named insured's conduct or operations.

These new individuals or groups are added to the policy through an amendment called an [endorsement](#). The amendment may name the additional insured within the policy. However, other policies may use a [blanket additional insured endorsement](#), which doesn't require the additional insured party to be named in the amendment. Instead, a general description of the type of groups or individuals that are to be extended coverage is added to the named insured's policy.

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Benefits of Additional Insured

An additional insured amendment is helpful since it protects the individuals or parties that have been extended coverage under the named insured's policy. If a claim is filed or a lawsuit materializes, the additional insured would be covered.

Also, it's beneficial for a party to be covered as an additional insured since it reduces the loss history of the additional insured, which can ultimately lead to lower premiums. Instead, any losses from claims post against the policies of primary insured, and their premiums would likely increase.

Costs of Additional Insured

The cost of adding an additional insured is typically low, compared to the costs of the premium. Insurance company underwriting departments often consider the additional risk associated with additional insureds as marginal. Additional insurance coverage and endorsements are the subjects of frequent disagreements, misunderstandings, and litigation. The disagreements are often about whether the additional insurance coverage should cover "independent negligence" by the additional insured, or if it should only cover liabilities caused by the named insured's acts.

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Examples of Additional Insured

Typically, a larger and more powerful business will require smaller operations to name the large business as an additional insured. The arrangement might appear counterintuitive, but it essentially comes down to leverage. The larger business has more bargaining power since the smaller companies want to do business with them.

Landlords

A landlord in a commercial building will often require that a tenant have the landlord named as an additional insured on the [tenant's insurance policies](#). In such a case, if there is an accident or loss on the tenant's premises, the landlord will benefit from the tenant's insurance coverage.^[1]

Contractors

A general contractor might require subcontractors to name the general and the owner on the subcontractor's policies. For example, a general contractor might contract out work to be done on a project to plumbers, electricians, and engineers. These workers are providing a service to the general contractor as [third parties](#). As a result, the contracted third parties could sue or file a claim against the general contractor if they get hurt on the job. In this way, if the general contractor or owner is sued due to accidents arising out of the work of the subcontractor, the subcontractor's insurance will protect the general contractor and owner.^[1]

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Manufacturers

Manufacturers may wish to cover the sellers of their products as additional insureds under the manufacturer's liability policies. This coverage helps provide motivation to the sellers to promote the sale of the products because the seller knows that any product liability lawsuit against the seller will be covered by the manufacturer's liability insurance.^[2]