

TelcomWATCH

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IMPORTANT NOTICE –
Please Distribute to the General Manager or Insurance Contact

GROWING TREND: THIRD PARTIES ASKING TO BE SPECIFICALLY LISTED AS ADDITIONAL INSURED ON LIABILITY BASED POLICIES

Additional insured status is a common and effective policy coverage endorsement used by a party seeking protection from certain risks arising out of another party's activities that they do not control but that they have a common interest in a property or project.

On a construction project, the owner typically requires additional insured status under the general contractor's liability insurance policies; general contractors may do likewise with subcontractors. As in the example above, the rationale is that the construction activities create certain risks that would not otherwise exist and increase the magnitude of certain other risks. For example, a construction project in a retail district carries the risk that a pedestrian will be injured from flying debris, collapsed scaffolding, or a tool dropped from several stories up. These risks are directly related to the contractor's operations on the site. Further, goes the rationale, the contractor (or subcontractor) performing the work is generally in the best position to prevent or control losses arising out of the work, and should therefore bear the corresponding financial risk. That is why an owner of the site might request that in the event of an incident that the contractor's policy defends them.

Blanket additional insured endorsements were introduced as a means of avoiding administrative errors and

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oversights in providing additional insured status. These endorsements typically contain language indicating that additional insured status is automatically provided when the named insured agrees to provide such status and the work or project is agreed upon by contract. To avoid overly broad grants of coverage, these endorsements typically limit their application to certain types of written contracts, such as construction contracts or equipment rental agreements. The obvious benefits of blanket, or automatic, additional insured endorsements are that they protect against failure to add a party as an additional insured in accordance with the contractual agreement, and reduce the administrative burden of making each request individually. Most insurance policies provide the blanket additional insured status.

However, we've started to see requests for a third-party to be specifically added as an additional insured on the liability policy as opposed to having the blanket additional insured endorsement cover the exposure. Certainly, we can request this of the Underwriter on your behalf, but you should be aware that there is typically a charge from the insurance company, of approximately \$100, to add a specific additional insured. This process requires an endorsement to be created which lists the company name of the additional insured and adds it to your official policy.

In reality, from the insurance standpoint, the blanket additional insured can provide the same coverage as specifically adding an additional insured. However, if you have contracts that require them to be named, we can certainly do it for you or attempt to explain to the requestor the fact that the blanket contractual endorsement provides what they are seeking without any incurred cost to you.

Let us know how we can help.



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