

## Additional Insured Vs. Named Insured on a Liability Insurance Policy



General Liability insurance covers various parties, and this includes named insureds and additional insureds. As risk managers, many people ask us about the difference between additional insureds and named insureds and how it affects them, which we highlight in this article.

### **What is a Named Insured?**

In a liability insurance policy, the named insured is the policyholder covered under the policy. The policyholder is covered for their legal liability that results in damages as a result of an occurrence. Many liability policies issued to a businesses will cover one named insured, usually, the corporation itself, but there is an opportunity to cover other related entities the insured would like and extend the coverage.

An insurance carrier has a primary responsibility to defend a named insured for their alleged actions that cause harm or damage. When you file a claim, the company that has insured you will, subject to the policies terms, conditions and exclusions, defend you and compensate others for damages you cause. As we have noted above, more than one named insured can be listed on a policy, which is common if a company owns a majority of other companies and they are listed on one policy. There could be concerns with adding others to the same insurance policy in the aggregation of limits or cross liability exclusions.

### **What is an Additional Insured?**

An additional insured is, typically, an entity that requests that Insured add them to the Insured's coverage for the Additional Insureds vicarious liability which could result from the Insured's actions. There is, generally, no anticipation of coverage for the Additional Insureds' own actions. This is the main distinction between Named Insured and Additional Insured.



Additional Insureds are protected under the [Insureds] policy subject to the terms, conditions and exclusions of that policy. There are at least 40 different additional insured endorsements that could be appropriate – be sure the right one is chosen and issued, so it obligates the carrier to respond as intended. Often an insurer or broker will issue a certificate of insurance that conveys that additional insured status. Another key provision is that the requirement for additional insured MUST be obligated by a contract between the Insured and the Additional insured. That is a condition precedent on most, if not all, additional insured endorsements these days.

A typical instance of an additional insured is a landlord of a commercial property or the owner of a property who hires a contractor. That landlord or owner will want to have the lessee's or contractor's insurer protect and defend them for actions of the tenant or contractor – just in case they get named in the same suit.. If a customer was injured at the property, lawsuits, typically, go after the landlord, citing that they are. Somehow, culpable for the loss as well as the insured. By being named an additional insured, the landlord is protected from these types of lawsuits.

If you have any questions regarding additional or named insureds, or need help with any risk or insurance-related issues, please contact Albert Sica, Managing Principal, at 732.395.4251 or [asica@thealsgroup.com](mailto:asica@thealsgroup.com).