

Additional insured endorsements— why bother?!

by Chip McKenna

A member has selected a contractor to build a new vehicle maintenance shop; a homeowner has submitted a right-of-way permit for replacement of a lateral sewer line; or the local Chamber of Commerce has completed a rental agreement to use a member's facility for an upcoming event. What happens if an incident arises, such as, the roof of the shop fails due to contractor error; the city road collapses due to the error of the homeowner's contractor; or the chamber's function resulted in damage to the facility? Will the contractor, homeowner, homeowner's contractor or chamber be able to reimburse a member for the damage that occurs?

For each of these situations refer to the acronym WCIA:

- W** = written agreement;
- C** = certificate of insurance;
- I** = indemnification and
- A** = additional insured.

Written Agreement/Indemnification: In addition to stating the terms of the agreement and each parties responsibilities, the written agreement should include a hold harmless/indemnification clause and specify minimum insurance requirements. In particular, the Member is to be included as an additional insured on the commercial general liability policy. The written agreement should identify which additional insured endorsements are acceptable. Think of additional insured status as a reinforcement of an underlying contract's hold harmless or indemnity provision.

Certificate of Insurance: The ACORD Certificate of Liability Insurance is the primary vehicle to verify insurance requirements have been met. In addition to listing the policy period, policy limits and insurer for each line of coverage, there is also a field for description of operations which can be used to list the name of the project, additional insured, etc. If a certificate lists the member as an additional insured, is that sufficient? Unfortunately, the answer is no. The ACORD Certificate of Liability Insurance form has a disclaimer located at the top of the form:

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

The certificate is issued as a matter of information only. There is no guarantee that the policies referenced on the certificate even exist. Even if they do, the additional insured's coverage may be less than what is expected because of an undisclosed restriction in the additional insured endorsement or undisclosed exclusion.

Additional Insured: The Insurance Services Office (ISO) provides standardized additional insured endorsement forms. However, ISO has frequently changed the wording on the forms

since 1986. The newer versions of an additional insured endorsement may be more restrictive than older versions. For example, the maximum limits for an additional insured is the lesser of policy limit or amount required by contract. To compound matters, a growing number of insurance carriers do not use ISO forms. Members should require “at least as broad as” a specific ISO endorsement.

There are over 30 standard ISO additional insured endorsements and an infinite number of nonstandard endorsements. Additional insured endorsements vary greatly and, depending on the version of which form is used, members may not receive the desired coverage.

Additional insured status provides the additional insured with the right to an immediate defense by the named insured’s insurer rather than being indemnified at a later date. Further, these defense costs are paid in addition to policy limits. Therefore, a member can save millions of dollars by successfully tendering claims or suits, from the largest projects to the smallest service contracts.

Your assigned WCIA Risk Management Representative is available to assist with reviewing hold harmless and indemnification language and determining minimum insurance requirements, including which endorsement to use. The WCIA Liability Resource Manual, Insurance and Indemnity Requirements for Contracts [ADM.21 provides additional information to assist you in your review and analysis of contracts.](#)