



# If we could talk...

## Additional Insured Endorsements: Beware of Hidden Costs

By Nicholas L. Bozzo

Adding an Additional Insured endorsement to your insurance policy seems simple, but it is more complicated than you may think. This endorsement is intended to provide protection to a third party from liability *you* cause them as a result of *your* negligence. It is *not* intended to protect third parties from liabilities caused by them, or both of you together. In other words, ***you should only accept an Additional Insured endorsement when it limits your responsibility for protecting a third party to circumstances in which your negligence caused the liability.*** Otherwise, it makes a huge difference as to your exposures and how your insurance responds.

Complications are typically the result of three features that really should *not* be included: *Primary, Noncontributory, and Waiver of Subrogation*. When these three features are included in an Additional Insured endorsement, the impacts can be serious and expensive in the event of claim:

- Claim settlements covered solely by your insurance could significantly reduce your coverage limits.
- If your policy includes defense costs within coverage limits, the cost to defend an additional insured reduces your remaining coverage further.
- Losses paid to cover an additional insured become part of *your* claim history and could easily result in a premium increase when coverage is renewed.

If we could talk, I would tell you that the specifics of an Additional Insured endorsement can and should be negotiated. It's fair and appropriate to *omit* requirements that Additional Insured coverage be primary, non-contributory, and include a waiver of subrogation.



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