

# Maximizing Coverage for ADDITIONAL INSURED



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**T**he hospitality industry relies on insurance coverage to protect against a wide range of risks, from simple slip and falls to devastating hurricane damage. Every entity is different, and selecting the most appropriate insurance coverage for a particular property or company is crucial. Yet it is increasingly common for members of the hospitality industry to have themselves named as “additional insureds” on another entity’s policy, rather than reviewing, comparing and then selecting a policy for itself. While this may make economic sense in the short term - the company delegating responsibility for purchasing insurance saves money on premiums, brokers’ fees and other costs - permitting another company to purchase your insurance is not without risks of its own

## Be as Specific as Possible in Establishing the Insurance You Need

Hospitality properties frequently enter into written agreements which require other entities such as a contractors, subcontractors, or franchisees to procure insurance and name the property as an additional insured. The specifications for purchasing insurance, however, are often extremely general. For example, a licensing agreement between a franchisor and franchisee may require the franchisee to purchase a commercial general liability policy with \$10 million in limits of liability — but the agreement says nothing about the deductible, aggregate vs. per occurrence limits to other crucial terms or exclusions that could end up vitiating coverage altogether. Many agreements contain no specifications at all, simply stating that the franchisee must purchase “appropriate” insurance. Thus, it is not uncommon for additional insureds to discover that they have less insurance coverage than they believed — and sometimes practically no insurance at all. Entities seeking to be named as additional insureds on a named insured’s insurance policy should take pains to be as specific and detailed as possible about the type and amount of insurance they expect.

## Get A Copy of Your Policy, and Read It — Twice!

Few agreements actually require that the named insured provide the additional insured with a copy of the policy. As such, many additional insureds do not see a copy of their insurance policy until after a loss takes place. This is too late. Hospitality entities should require the named insured to forward copies of any and all insurance policies naming them as an additional insured — preferably before the date of inception, so that the additional insured can review the policy and ensure it comports with all expectations and agreements before it is finalized.

## Look for the Loopholes . . . and Plug Them

When reviewing your policy, keep an eye out for conditions, exclusions and endorsements commonly used to limit additional insured coverage. For example, some insurance companies seek to limit the coverage available to additional insureds by adding endorsements that restrict additional insured coverage to injury involving negligence by the named insured, rather than injury involving only negligence by the additional insured. Many insurance policies also contain “other insurance” provisions, which state that policies intended to provide primary insurance will apply only as excess insurance over any other valid and collectible insurance. As a result, hotel properties may be unable to access policies that name them as additional insureds until other corporate or umbrella policies are fully exhausted, frustrating the purpose of being named an additional insured. Finally, many policies include “additional insured” endorsements which place stringent requirements upon the named insured and the additional insured. Many entities find themselves unable to access additional insured coverage because they failed to comply with conditions they never knew existed. Don’t assume you constitute an additional insured just because the named insured says you do. Read the policy and make sure.

## Certificates Are Not Enough

It is customary for contractors to provide properties with a “certificate of insurance” which purports to list and describe available insurance policies. Often, however, certificates of insurance are not issued or endorsed by the insurance company. They are issued by the named insured’s insurance broker, at the named insured’s behest. Thus, if the certificate is incorrect, incomplete, or fails to list an exclusion which acts to vitiate coverage, the additional insured may end up with no recourse against the insurance company . . . and no insurance.

## Conclusion

There are benefits to being named as an additional insured on another policyholder’s insurance policy. In order to maximize the potential for recovery under the policy, however, additional insureds should not simply sit back and let the named insured do all the work. Additional insureds should emphasize precisely the type of coverage they need, and obtain and review the policy to ensure that coverage has been purchased. By participating in the process, additional insureds can ensure there is insurance to be had if and when it is needed.

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