

# **DIFFERENCES BETWEEN ADDITIONAL INSUREDS AND ADDITIONAL NAMED INSUREDS**

We occasionally receive inquiries from members regarding the differences between additional insureds and additional named insureds under liability insurance policies. This document is intended to address some of the major differences.

## **Additional Insureds**

Generally, additional insured status is required by an individual or entity when a named insured has agreed to indemnify that party in a contract (e.g., customers or owners of property leased by the named insured). Naming the indemnitee as additional insured reinforces the risk transfer accomplished in the indemnity agreements by providing the additional insured with direct rights under the named insured's policy.

An additional insured is given rights under the insured's policy by virtue of the additional insured endorsement. The named insured extends protection to the additional insured under the terms and conditions of the named insured's policy. It should be noted, however, that coverage provided under the additional insured endorsement is often limited to liability arising out of operations performed by or on behalf of the named insured. This means that typically the coverage will only respond to damages incurred by the additional insured if there is some connection with the operations of the named insured.

## **Additional Named Insureds**

By contrast, additional named insureds will normally include those entities whose operations are closely tied to the first named insured. In the public entity world, this will typically include entities such as financing authorities or special districts whose operations nearly always involve the first named insured in some way. By adding an entity as an additional named insured, the first named insured is extending coverage under its liability policy to all of the operations of that entity.

It should be noted that additional named insureds do not necessarily have all of the privileges and obligations of the first named insured such as the obligation to pay premiums and the right to cancel coverage and receive notice of cancellation.

## **Conclusion**

In summary, regardless of whether an individual or entity has been named as an additional insured or an additional named insured, that individual or entity becomes an insured under the policy. They are entitled to the same right to defense in a suit seeking covered damages that the first named insured is entitled to. The most significant difference will come from language in the additional insured endorsement that may limit coverage extended to the additional insured to liability arising out of operations performed by or on behalf of the named insured.