

**Editorial Contact:** Richard Hahn (716-372-2443)

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## **Insurance With Assurance**

### **The Request to Name an Additional Insured** *by Rick Janis*

#### **What does the “Request to Name an Additional Insured” mean and should we agree to the request?**

The request to name an additional insured on your policy and hold other people harmless, has arisen lately with increasing frequency. We’ve written about this topic before and answered numerous questions but feel that its important enough and potentially damaging enough to your business to revisit it.

For the most part, the request comes from property management firms, banks, large businesses, cities, towns, and other governmental entities where an alarm or monitoring company is performing work.

The request to be named as an additional insured is not the same as when a client requests a Certificate of Insurance. There’s nothing wrong for subscribers to ask for a Certificate of Insurance, which shows a subscriber that the dealer or monitoring station has insurance and the limits of their policy. On the certificate is a box for the subscriber’s name and address. Putting their name on it doesn’t give them any rights it merely shows to whom the certificate is being issued.

The real problem comes when the subscriber wants to be named as additional insured. They usually ask for something that says, “Please issue a certificate on behalf of ABC Alarm Company to XYZ Subscriber and name subscriber as additional insured, and all its entities and subsidiaries. We also want the dealer to sign a Waiver of Subrogation or a Hold Harmless Agreement or an Indemnity Clause.” Other times it says, “Add me as additional insured and I also want it to say I’m listed as additional insured for any and all losses.”

First, you can’t do that because your insurance policy doesn’t cover any and all losses. Second, all of these requests are totally outrageous and you should reject them immediately.

Since an insurance policy is a contract, it covers specified events. Speaking broadly, it covers bodily injury and property damage losses as a result of your negligence. In the case of an alarm or monitoring company it includes losses arising from an error and/or an omission.

Then what’s the problem?

When you name someone as additional insured, they become exactly what it says, an additional insured with you under your policy. But you paid for the policy. Your name is on the policy as the one being covered. Now XYZ Subscriber is also named on your policy. He didn’t pay for the coverage but he enjoys all the benefits and he’s covered up to the full extent of the policy coverage and limits. Although there are some restrictions as to what liability claims that XYZ Subscriber can submit to your company, the policy language is clear that XYZ Subscriber is an additional insured arising from your operations.

The only real restriction is that it is limited to the extent of your operations performed for that subscriber. For instance, let's say XYZ Subscriber is functioning as a manufacturing facility and a claim is made against them alleging that their product is defective. That is not covered because the form that is attached to the policy to name an additional insured says it will include XYZ (but only with respect to liability arising from your ongoing operations performed for that insured).

So then, why not grant the request? It does seem to make sense. On first glance it seems fair and honest if it is only your operations that are liable. If you caused the problem, shouldn't you and your insurance company be held liable? On the surface it seems logical, but there is more to it than meets the eye. In our next few columns we will answer questions about the problems and dangers you face by agreeing to the request to name someone as an additional insured. We'll also give you the answer of how you can get around the request.

*Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFAA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at [rjanis@alarmins.com](mailto:rjanis@alarmins.com).*