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Insurance With Assurance

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

What is the problem, and what can happen if I agree to the “Request to Name an Additional Insured?”

When you name someone as additional insured, they become exactly what it says, an additional insured under your policy.

However, you paid for the policy and your name is on the policy as the one being covered. But now the subscriber is also named on your policy. He didn't pay for the coverage but is enjoying all the benefits of the coverage. Not only that, but he's covered up to the full extent of the policy coverage and limits. There is little restriction as to what liability claims that the subscriber can submit to your company under your policy as long as the claim arises from your operations on behalf of the subscriber.

As an alarm dealer or monitoring company, your operations continue until the day you take out that system. Not only is your equipment there, but you are also receiving test signals, and openings and closings, etc. You are performing service work on an ongoing basis and back at the premises to service the accounts. When this subscriber is named as additional insured on your policy, he's an additional insured for any type of loss that arises out of your ongoing operations, including when you are there servicing, installing or monitoring.

Property owners have been told by their risk managers, “If anyone comes on your property to do work, get them to name you as additional insured so that you don't have a claim made under your insurance for a loss that was the negligent action of that company.”

On the surface, that sounds reasonable. But the subscriber does not have to be named as additional insured to insure that the dealer is responsible his negligent actions in creating a liability situation. If the subscriber asks the dealer for a Certificate of Insurance, he knows the dealer has general liability and E&O to cover bodily injury and property losses arising out of the dealer's negligence for whatever amount is stated on the policy limit.

A building owner not only has control of the premises, but also of hiring the people to do the work, where they work and the overall direction of their work. Under tort law, the owner that has that kind of control is usually liable and liable for the actions of the workers as well.

Normally, each party carries their own insurance. When a claim occurs, they each turn it into their carrier and the claim gets settled based on who's responsible for what, in other words contributory negligence. By asking to be named an additional insured, they are circumventing any possibility that their contribution to the negligent loss will fall on their shoulders. Now it is guaranteed that 100% of the claim will come under the dealer or monitoring company's policy.

That has a lot of heavy ramifications. First, what if it is a real serious claim? Big companies can carry five, ten, even twenty million dollars or more of insurance limits. A small dealer usually

carries a one million-dollar limit. Let's say the claim is for five million dollars. Guess what? The insurance company can't go back against the owner as being contributory to the loss. Everything is now covered under the dealer's policy. The dealer's insurance company will write a check for one million dollars and the rest will come out of the dealer's company. If you don't have four million dollars lying around then you'll lose your company.

Next time we'll answer the question "What should dealers do when property owners demand to be named as additional insured?"

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