Lowndes

Insights

Co-Insured vs. Additional Insured: Which One to Choose and Why It Matters

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Did you know that unrelated third parties (like a landlord and a tenant) should not be named a “co-insured” or even a “named insured” on another party’s insurance policy? In fact, the coverage provided to an unrelated third party in such cases could be denied by the insurance company based upon the insured’s actions.

Instead, the unrelated third party should be added as an “additional insured” and possibly the “loss payee,” if appropriate under the circumstances. Note that a contractual indemnity provision is required to support the unrelated third party’s coverage as an “additional insured.”

It is extremely important that the indemnity language in your lease be considered together with your insurance language. For example, if your indemnity language does not include attorneys’ fees and costs, the insurance coverage provided to the “additional insured” may not include attorneys’ fees and costs.

Additionally, coverage to an “additional insured” will not be broader than what is required in your lease, regardless of the amount of insurance carried by the insured. For example, your lease may require the tenant to carry one million dollars of commercial general liability insurance naming the landlord as an “additional insured.” If the tenant’s policy actually has limits of two million dollars, the landlord’s coverage could be limited to just one million dollars.

However, your attorney can employ some smart drafting techniques to ensure that the “additional insured” can take advantage of the full amount of coverage purchased by the insured, even if the lease calls for a lesser amount.

We recommend having your insurance language reviewed by your attorney together with your insurance provider on a regular basis.

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