

Tips for Filling Cracks in Additional Insured Coverage

by Jevon Bindman & Nathaniel Ajouri, Maslon LLP

Having valid additional insured (“AI”) coverage is one of the most important steps an owner or general contractor can take to minimize risk on a construction project.

AI coverage provides full access to all of the benefits of the contracting party’s insurance policy. Without it, all that’s left is coverage through the contract’s indemnification provision, which may provide limited coverage depending on the scope of the provision and limits imposed by state law. Worse, indemnification coverage does not kick in until after liability has been established (and after substantial defense costs have been incurred).

Despite the importance of AI coverage, many parties do little more than include an AI requirement in the subcontract and collect certificates of insurance. A few important considerations should be kept top of mind:

[Read the Endorsements](#)

Modern CGL policies use numerous AI endorsements that provide different types of coverage. Some endorsements require additional insureds to be specifically named, while others provide automatic AI coverage when required by contract. Getting coverage for ongoing and completed operations may require multiple forms.

Also, make sure the AI endorsements required by the subcontract match what is in the policy. For example, the AIA insurance exhibit (A101 Exhibit A) requires the use of forms that are outdated or may not be commercially feasible.

[Check the Subcontract](#)

If the AI endorsement provides coverage “as required by written contract,” the subcontract must identify which policies are subject to AI coverage. While common policies (such as CGL and auto) are likely to be named, check whether specialized policies—such as pollution policies—are included. We recently litigated this issue and had to find “creative” solutions to obtain pollution coverage—it’s better to know you have the coverage from day one.

The subcontract also needs to specify that AI coverage is primary and noncontributory. Otherwise, AI coverage may not kick in until after other coverage is exhausted.

Beware of Excess Policy Issues

If the subcontract requires specific amounts of primary and excess coverage but the actual policy limits are different, a gap in coverage may occur. For example, if the subcontract requires \$2 million in CGL coverage but the CGL policy actually has a limit of \$1 million, the excess carrier may refuse to contribute until an additional \$1 million has been paid out. Relatedly, if the subcontract sets minimum coverage limits, an AI carrier may refuse coverage in excess of those amounts even if excess policy limits are higher.

Best Practices

We recommend taking the following steps to maximize AI coverage and minimize risk:

1. Engage your broker early and often to make sure you are getting the AI coverage you expected, with sufficient coverage limits.
2. Get a copy of the entire insurance policy, including endorsements, to determine the type and extent of AI coverage.
3. Ensure the subcontract specifies the policies to which AI coverage applies, and that coverage is primary and noncontributory.

Jevon Bindman is a trial lawyer at Maslon LLP who focuses on construction, insurance, and appellate litigation.

Nathaniel Ajouri is a trial lawyer at Maslon LLP who advises clients on construction, products liability, and fiduciary litigation.