



# Risk Reduction Report

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## BE AWARE OF THE RISKS OF ADDING BANKS AND REO COMPANIES AS ADDITIONAL INSURED'S ON YOUR E & O POLICY.

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In the current market, real estate agents are seeing an increase in sales involving foreclosures and bank-owned properties. We have seen an increase in requests from our policyholders to add banks and management companies as additional insured's on their errors and omissions policies. You need to be aware of the risks that this creates for you.

The intent of this request from your clients is to have your errors and omissions policy extend coverage to them if they are sued as a result of a negligent act, error or omission that resulted from your professional services. This may seem like a good reason, but it creates potential risks that you should be aware of.

- Adding a client to your policy as an additional insured could allow them to report claims directly to your insurance carrier.
- Your policy is designed to cover your professional services. Adding an additional insured could potentially provide coverage to the additional insured's **other** professional activities.
- Your policy limits of liability would be shared with your additional insured in the event you both were involved in the same claim.

In all three of these situations you, as the policyholder, would lose control of the claim. You would be sharing your limit of liability with your client in the event a claim triggers the policy.

In addition, a policy typically contains an exclusion from one insured suing another insured. In a situation where an additional insured is added, the insurance carrier would not be obligated to provide coverage. All errors and omissions policies are designed to compensate parties other than insured's and are not intended to cover disputes between co-insured's.

When we receive requests to add additional insured's, we will work with the insurance carrier to attempt to come up with a solution that is agreeable to all parties involved. In some cases, based on the carrier and their underwriting guidelines, we may not be able to honor this request. In those cases, we can provide a certification of coverage to your client that has requested they be named as an additional insured.

In summary, adding an additional insured is not in your best interest or in some cases not in the best interest of the client requesting to be added as an additional insured. If you are insured with us and have any specific questions on how additional insured's relate to your policy, please call our office at 866-443-4309.

To get a quote from HSA Insurance Services, click [here](#).