



## **Additional Insured**

As protection to both the owner and Deca, a current certificate of insurance for each portfolio listing Deca as additional insured is required. Although Deca is fully insured the additional insured language helps protect both Deca and the property owner in the case of a lawsuit.

### **What does “Additional Insured” mean?**

The Additional Insured verbiage on a homeowner’s policy simply means that the coverage is extended not only to the owner of the property but also to the property management company. Some insurance agents will confuse “Additional Insured” with “Additional Interest”. They sound similar but are vastly different. “Additional Interest” does not extend coverage but will simply notify the property manager of policy renewals, cancellations, or policy changes. Another common misconception is that the Additional Insured verbiage will provide the property management firm with a financial interest in the property. Unlike a mortgage holder, the property management company does not have, or want, a financial interest in the property but nevertheless has a very insurable interest from a property liability standpoint, such as personal injury on the premises.

### **Why is adding the Property Manager as Additional Insured important to the property owner?**

When a property manager is hired they take on almost all of the responsibilities as if they were the homeowner. As such, if something were to go wrong, such as personal injury, the property manager is often the target, in place of the owner, of any resultant litigation. For this reason, almost all reputable property management firms have a strong indemnification and hold harmless clause as part of their management agreement. If the management company is properly listed as Additional Insured, the coverage will automatically be extended to both parties as needed.

In the worst of cases, if a major litigation claim takes place, it is likely that both property manager and owner would be named as co-defendants. Having the owner policy extended to both, would create a unified defense, with one insurance company defending both, streamlining the defense process and significantly reducing total legal expenses for all for which the owner (or the insurance company) is ultimately responsible.

### **Are Insurance Companies willing to add the Deca Property Management to the owner’s policy as Additional Insured?**

Most of the larger insurance companies understand that doing so is in their customer’s best interest and will add the property management firm upon request for little or no additional cost. However, some of the smaller or specialized companies view adding a third party to the policy as taking on additional risk and refuse to do so. While there may be some merit to their viewpoint, it can be argued that using a professional management company will reduce overall risk and that since the owner is indemnifying the management company, they would eventually be faced with a payout on behalf of their customer. Accordingly, their total cost of a payout could be significantly reduced if they are in control of the claim from the beginning.

Please forward a current certificate to Deca listed as follows:

Additional Insured  
Deca Property Management LLC  
9630 Gravois  
St. Louis, MO 63123