



# Management Advisory

## Additional Insured Status on Professional Liability Policies

**S**ome clients of design professionals think they can be better protected against third-party claims by being included as a named insured or as an additional insured on a design firm's professional liability policy. This may be true for some forms of insurance. However, it is not an option in the CNA/Schinnerer Professional Liability Insurance Program because the design firm's client is usually not performing professional services and therefore does not assume the risk that the policy is designed to cover.

A professional liability policy only provides coverage for claims arising from the rendering of those professional services that the insured is qualified to perform. Since a client does not typically render professional services, it would receive no added protection by being named as an "additional insured." Furthermore, naming a client as an "additional insured" in a professional liability insurance policy may cause the standard "Insured vs. Insured" policy clause to apply, potentially compromising coverage for a claim from the client against the insured professional service firm.

Unlike other types of insurance policies, the professional liability insurance policy does not make payments *to* the named insured but rather pays on *behalf* of the named insured in the event that the named insured's negligence in rendering professional services causes damage or injury. Therefore, if the design firm's client were named as an insured under the design firm's policy, the client would be unable to collect damages under the policy since an insured cannot make a claim against itself and recover under the design firm's CNA professional liability policy.

Although less common, an additional problem occurs if the client has professional engineers, registered architects, or other design professionals on its staff. If that client were to be added to the design firm's professional liability policy, that coverage could apply to all of the professional activities of the client's in-house design professionals throughout the life of the design firm's policy. This means that it is possible that any claim of professional negligence made against a licensed design professional *on the client's staff* (whether that design professional is involved with the design firm's project or not), would have to be defended—and possibly even indemnified—under *the design firm's* professional liability insurance policy. In such a situation, the design firm would be providing coverage for an entity or individual over whom the design firm has *no* control.

Thus, while it may be clearly beneficial and common for a client to be included as an "additional insured" under a firm's general liability insurance or automobile liability insurance policies, being so named on a policy covering claims arising from the rendering of professional services is problematic.

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