

Additionally Insured – Lessor of Leased Equipment

Contractors and subcontractors either have or will have a job that requires rented or leased equipment in order to complete a project. This usually involves a written contract in which the leasing company will ask the contractor to provide proof of insurance, such as a "certificate of insurance". Further, the rental company will also want to be named as an additional insured to protect their legal liability and interest in rented/leased equipment.

Providing a certificate can be handled by adding (endorsing a version of the Additional Insured-Lessor of Leased Equipment form onto the contractor's liability policy. The basic version shows the name of the rental company and it is normally used for contractors who rent equipment only occasionally, or rent it without a written contract. The other form is for the contractor who frequently enters equipment rental/lease agreements. This form covers the interest of any leasing company when a written contract is involved, and it does so without having to constantly endorse the policy to name the applicable rental firm.

A contractor and an insurance professional should approach this subject with a checklist to be sure that all the important items are handled. To start with, be sure that the rental company has its own liability insurance. This is suggested in case the contractor renting the equipment is not negligent or responsible for a particular job site incident involving the equipment. In such cases, the legal liability reverts back to the equipment's owner. Next, ask all relevant parties (contractor, rental company insurance agent, and insurance company underwriter) to review the rental contract. This step assures that everyone is aware of its terms and conditions. This is the best way to determine how it matches up to the coverage and limitations of the additional insured form. Next, make sure to use the same language to add the rental company on the certificate of insurance and to attach the corresponding form to the policy. Finally, it is critical that all parties be aware that coverage ends when the work is done and the equipment is returned to the rental company.

It is also important to understand that additional premium charges may be necessary. In such cases, be certain that all parties accept the reason for the charges. This additional insured form can help a contractor out in special situations, but it is only useful when all parties take the time to use the form properly.

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