



INS-101:

## Certificate of Insurance

### What is a Certificate of Insurance?

A certificate of insurance is a document used to provide information on insurance coverage. The certificate provides verification of insurance and generally contains information on types and limits of coverage, insurance company, policy number, named insured, and the policy's effective date. Certificates are prepared by an insurance agent/producer on behalf of their insured.

A certificate of insurance does not provide any insurance for your business. It only provides proof that a supplier, service provider or contractor doing business with your company is carrying a specified line of insurance and coverage.

### Why You Need to Obtain a Certificate of Insurance

If a third party is providing a service to your organization, and a mishap occurs, (even if only through the actions of the third party) your organization could be held liable.

For example, you hired a painting contractor to paint your buildings on a sub-contract basis. Not only does the painter fall from his ladder, but he also “over sprays” paint onto a vehicle parked nearby. You did not require a certificate of insurance through your sub-contractor agreement. You may now be liable for the workers compensation for the painter's injury and lost work time, as well as the damage done to the vehicle.

A certificate of insurance should be obtained for ALL contractual arrangements, product or component suppliers, and service providers. Include even those that may seem innocuous or occasional such as, landscapers, trash removal, housekeeping, etc. Make sure that a third party's certificate of insurance covers all aspects of your contract including workers compensation, contractual liability and general liability.

Obtain certificates of insurance before or at the time of the signing of a contract, and always before the start of any service work. The certificate should state that the issuer (or insured) must provide a minimum 30 days automatic notice of cancellation or material change in coverage directly to you; the certificate holder. Certificates are usually printed on the industry standard format: **Agency Company Operations Research and Development (ACORD)**.

Proof of Workers Compensation Insurance may be on a different form if provided by a State Program.

Some states allow “Certificates of Exception” for Workers Compensation for companies with no employees other than owners/partners. If a contractor has a certificate of exception, it will generally prohibit filing a claim against an upper tier contractor.

The image shows a sample ACORD Certificate of Liability Insurance form. It includes sections for:
 

- COVERAGES:** General Liability, Commercial General Liability, Automobile Liability, etc.
- COVERAGE INFORMATION:** Policy number, effective date, expiration date, limits, etc.
- CERTIFICATE HOLDER:** Name and address of the insured.
- CANCELLATION:** Notice of cancellation or material change in coverage.



## What is the Difference Between Additional Insured and Named Insured?

It is common for certificate holders to confuse the difference between an additional insured, and a named insured. A certificate holder does not want to add someone to a policy as a named insured because they would have full coverage under the policy for any of their business ventures. The holder would add someone as an additional insured and afford limited coverage under the policy for claims arising out of the services being provided.

Adding an entity as an additional insured on a general liability insurance policy serves to protect that additional party in the event of negligence on the part of the primary policyholder, or “named insured.” It is not the intent of the policy holder to pick up the liability of another party when the policy holder had nothing to do with a claim or occurrence.

## Review the Certificate

It is essential to review all certificates provided for accuracy and conformance to the organization’s specified insurance requirements. This initial review can reduce the occurrence of disputes later on in the event a claim must be filed.

Important areas of review include:

- ☐ Is the certificate of insurance provided on a proper form?
- ☐ Is the company named on the certificate the same name that is in the contract?
- ☐ Have you been named as the certificate holder?
- ☐ Has the policy been issued by a reputable insurer?
- ☐ Has the certificate been signed by an insurance company or agency representative?
- ☐ Are the types and limits of insurance listed on the form the same or greater than those required under the contract?
- ☐ Is the policy number listed in the certificate?
- ☐ Are the dates of coverage adequate for specified work?
- ☐ Are the “notice of cancellation” provisions acceptable?
- ☐ Does the certificate indicate all the special insurance requirements specified?
- ☐ Does the certificate cite the contract number or job location to tie the insurance to the work?
- ☐ Has the provider made any unapproved modifications to the certificate?

## Claim Scenario

ABC Organization held a banquet in order to raise money for a new training building. They hired outside caterers to make all of the food and desserts. As part of the contract, the caterers had to provide a certificate of insurance upon hire. Unfortunately, several people who had ate a specific dish came down with food poisoning. Due to the requirement of the certificate of insurance, ABC organization was not liable for any claim made as a result of the food poisoning. All liability fell on the caterer.