

CERTIFICATES OF INSURANCE

What is a certificate of insurance? It is simply evidence of insurance of the person or company named on the certificate. It is not however absolute proof of insurance.

Standard certificates of insurance have been in use since 1976. Briefly, the certificate is the leading method for verifying certain information about one or more insurance policies, as of the date the certificate is issued. In general, certificates inform those who read them--as well as their recipients who are referred to as "certificate holders" of the following:

- It validates the existence of one or more insurance policies.
- The type of insurance coverage provided—for example Commercial General Liability, Commercial Automobile Liability; Excess Liability and Workers Compensation.
- The insurance policy numbers.
- The insurance policy inception and expiration dates.
- What insurance company or companies are providing coverage?
- A notice of cancellation provision. This is designed to cause the insurance company to send notice to the certificate holder if the insurance policy is for some reason cancelled.

Probably the safest method for verifying insurance coverages would be to obtain a certified copy of the policy. However, insureds that must provide proof of insurance are often reluctant to relinquish their policies to strangers. And it becomes quite cumbersome and expensive for insureds to issue certified copies of insurance policies to each of its customers who request proof of insurance. And, even if there is no opposition to providing a certified copy, as a practical matter it might take months to get one. Such a delay would likely defeat the very purpose for requesting a certified copy. For this reason, the certificate is so popular, particularly since the entity issuing the certificate is the insurance broker.

What certificates of insurance are not?

- They are not to be used to attempt to modify the terms of the insurance policy itself.
- No certificate should contain terms or conditions that differ from those in the underlying policy or policies.
- A means to verify the insurance rating of the insurance company or companies named on the certificate. This information needs to be obtained from one of the insurance rating bureaus.

What other information can be that can be contained in a certificate of insurance:

- Whether or not the certificate holder is also an additional insured and any limitations to such additional insured status. It is important to note however that by being named a certificate holder this is not the same as being named an additional insured.
- The identity of the named insured that actually purchased the policy. This can be extremely important for the vendors an insured requests certificates from as the vendor that is being used can be matched with the name of the company that is actually the named insured.