myCOI

EBOOK

8 TIPS TO REVIEW A CERT LIKE AN INSURANCE PRO

The myCOI guide to ACORD25

THE 8 TIPS YOU MUST KNOW

Welcome to myCOI's tipsheet! Do you have the need for a high-level overview of what important items are included on a certificate of insurance and what you should look for to be sure your organization is protected? Then this tipsheet is for you! Read on to reveal the relevant features of the ACORD 25, the insurance industry standard template form for evidence of liability insurance.

WHERE DO I START?

So you've gone through the process of chasing down Certificates of Insurancefrom all your subcontractors/vendors/franchisees/tenants/suppliers, etc. What's next? You want to review them, right? You're probably thinking 'Where do I start'? Start at the beginning! Let's take a look at one of the very first boxes at the top of an ACORD Certificate of Insurance: the "INSURED" box.

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WHY COI MANAGEMENT SOFTWARE?

Think of managing third-party COIs like a juggling act. Things are constantly moving to keep multiple balls in the air. Take your eyes off one ball, and they all might drop. Most can juggle with a few items, but introduce hundreds or thousands and the task becomes impossible.

Many companies track COIs manually, which does not scale as a company grows. Soon a process that may have worked before is dropping the ball and causing major financial problems – on-the-ground project delays, claims exposures, and contract non-compliance. Profitable ventures soon can become loss leaders all because of one missed COI.

Technology offers an extra set of hands. By instituting COI management software, companies can eliminate spreadsheet tracking, stacks of papers, manual entry, and back-and-forth emails that create unnecessary risk. They offer one scalable platform for keeping third parties compliant and the company protected.

Choosing the right COI management software is an important decision. The investment includes cost, time, resources, and a commitment to changing legacy processes. This eBook provides the critical questions necessary for evaluating COI software and maximizing ROI.

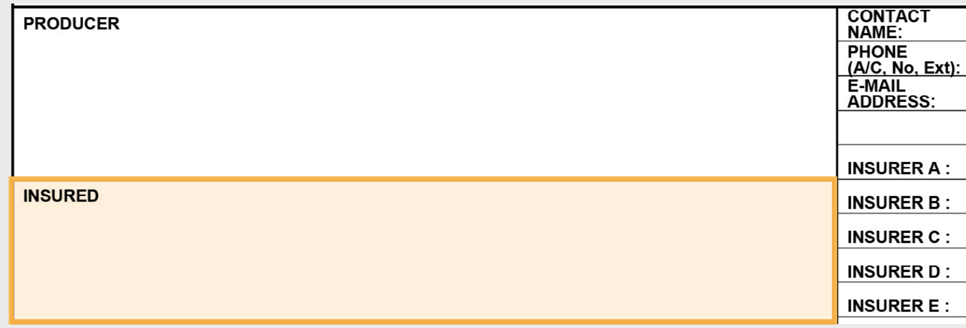
TIP 1: THE INSURED BOX

This is the place where the preparer of the Certificate lists the individual/entity that "owns" the Insurance Policy. The insurance term for this concept is "Named Insured".

This is the place where the preparer of the Certificate lists the individual/entity that "owns" the Insurance Policy. The insurance term for this concept is "Named Insured". When an entity is looking to purchase a commercial insurance policy, an application is filled out - either by the insurance Agent, or the entity themselves. The information that is given at that time (for our purposes, the "legal entity" name) is what is used on the Declarations page of the Insurance Policy that tells us "WHO" the Insurance Company has entered into an agreement with. (As we all know, an Insurance Policy is actually a contract)

Why does this matter?

The information that is given here is important for many reasons. Ideally, it should reflect (without variation) the exact name of the individual/entity that is listed on your agreement (subcontract, franchise agreement, lease, etc.). There is always the possibility of a slight variation. For example the Named Insured could be listed as Thompson's Home Improvement, Inc. and your agreement says Thompson's Home Improvement LLC. The difference here is the type of business entity - a "corporation" (Inc.) vs. a "limited liability corporation" (LLC). You may also receive a certificate from Thompson's and the name in the INSURED box reads "Mark Thompson" or another name altogether, and that could be problematic. In order for Insurance coverage to apply when a claim is brought forth, the entity/individual against whom the claim is filed MUST match the Named Insured on the Policy or coverage will not apply.


PRODUCER
INSURED
CONTACT NAME:
PHONE (A/C, No, Ext):
E-MAIL ADDRESS:
INSURER A :
INSURER B :
INSURER C :
INSURER D :
INSURER E :

The Insuring Agreement in most Insurance Policies read as follows: "We will pay those sums that the insured becomes legally obligated to pay..." And it also says: "Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations..." In this example, if your subcontract is with Thompson's Home Improvement LLC, and the Insurance policy evidenced on the certificate lists Mark Thompson as the Named Insured, the policy will only cover Mark Thompson and not Thompson's Home Improvement LLC. If a claim arises that references Thompson's Home Improvement, the policy in place would NOT respond because the coverage only extends to the Named Insured shown in the Declarations.

Let's take it one step further. Most agreements have a clause where one entity requires the other to name them as an Additional Insured on their Liability policy(ies). Many additional insured endorsements are classified as "Blanket Endorsements" which means that the language in the endorsement will say somethingto the effect of "where required by written contract...your organization will be an additional insured" instead of listing each and every entity seeking that status. Make sure you pay particular attention to your contracts. If your written contract is with an entity that does not match who the insurance policy is saying they cover, the Additional Insured status your organization is seeking will be lost with this type of an endorsement.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
	E-MAIL ADDRESS:	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A :	
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	

INSURED

TIP 2: INSURER(S) AFFORDING COVERAGE

Now that you've determined the certificate you have is for the right person/entity you have a contractual agreement with; you can move on and review the next section of the certificate of insurance.

The box labeled "Insurer(s) Affording Coverage" is located adjacent to the "Insured" box and will typically provide information on which Insurance Company(ies) are providing the coverage outlined in the certificate. There is also a column that provides the Company's NAIC number. NAIC stands for the "National Association of Insurance Commissioners". According to their website, they are: "the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories." Every Insurance Company that is "licensed" to do business in the US has been assigned an identification number with this organization. When an Insurance Agent fills out a Certificate of Insurance, they will often include this number alongside the Insurance Company's name.

Why does this matter?

There also exist many other regulatory/informational organizations relative to Insurance in the US (and abroad). Some of them compile financial information about Insurance Companies so that consumers have objective information about the entity they are trusting to pay their claims should one arise. It may seem surprising, but some insurance companies may not be able to pay out the claim to you! Looking up the A.M. Best rating is the most common way to see whether or not the insurance company is financially sound. A.M. Best has compiled information with regards to financial size and strength of most Insurance Companies and the NAIC number is a key item used when needing to obtain that information from their database. It is important to determine whether the Insurance Company listed on the certificate you have been provided is reputable and stable. If the coverages on the certificate were placed with a company that was insolvent, chances are there would be inadequate/no funds available to pay claims for their policyholders should they go "belly up". Subsequently, your organization would be at risk as well depending on the terms of your contractual agreement.

INSIDER TIP

Here is a brief overview of A.M. Best's Financial Strength Rating(FSR) Scale:

A+ **Superior Category Definition**

A superior ability to meet their ongoing insurance obligations

A **Excellent Category Definition**

An excellent ability to meet their ongoing insurance obligations

B+ **Good Category Definition**

A good ability to meet their ongoing insurance obligations

B **Fair Category Definition**

A fair ability to meet their ongoing insurance obligations; vulnerable to adverse changes in underwriting and economic conditions

C+ **Marginal Category Definition**

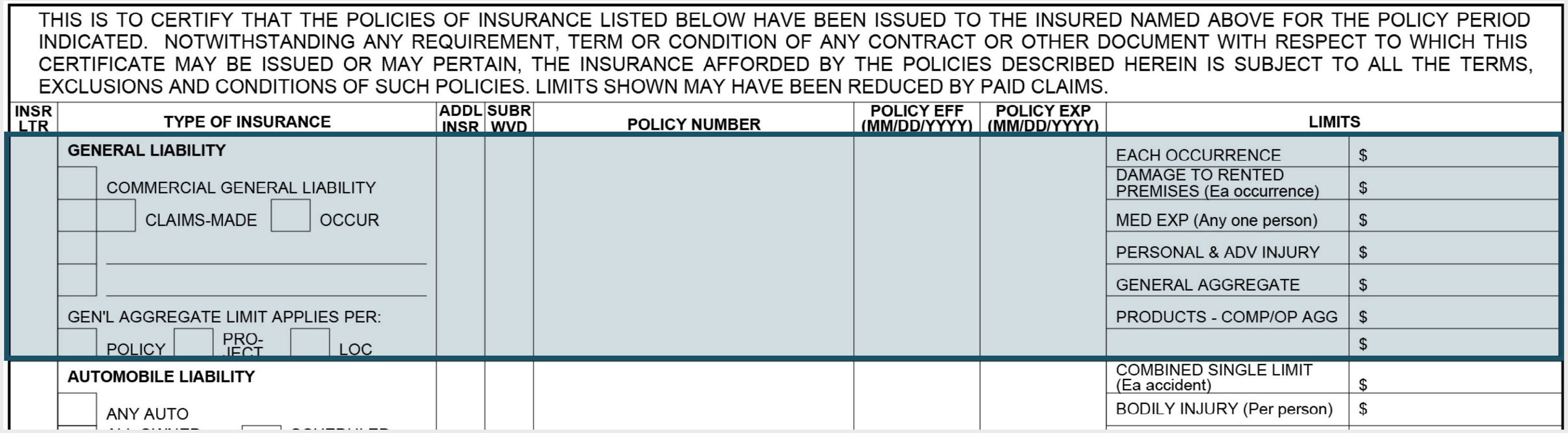
A marginal ability to meet their ongoing insurance obligations; vulnerable to adverse changes in underwriting and economic conditions

C **Weak Category Definition**

A weak ability to meet their ongoing insurance obligations: vulnerable to adverse changes in underwriting and economic conditions

D **Poor Category Definition**

A poor ability to meet their ongoing insurance obligations: vulnerable to adverse changes in underwriting and economic conditions



THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	GENERAL LIABILITY						EACH OCCURRENCE	$
	COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	$
	CLAIMS-MADE OCCUR						MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
							GENERAL AGGREGATE	$
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG	$
	POLICY PRO-JECT LOC							$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	$
	ANY AUTO						BODILY INJURY (Per person)	$

TIP 3: GENERAL LIABILITY

Under the words “General Liability” are two small boxes - one labeled “Claims-made” and the other “Occur” (short for occurrence). These items let you know how the entity’s liability policy is written with regards to when a claim arises.

You might have heard the term “GL”, or “CGL” or just “commercial liability”. All of these terms are used to refer to the coverage in the next section of the ACORD 25: General Liability. Though this section takes up only a fraction of the form, it contains some of the most important information you’ll want to know about your subcontractor/ vendor tenant/supplier/franchisee, etc’s commercial insurance program.

According to the International Risk Management Institute (IRMI) Website, a General Liability Policy is: “A standard insurance policy issued to business organizations to protect them against liability claims for bodily injury (BI) and property damage (PD) arising out of premises, operations, products and completed operations: and advertising and personal injury (PI) liability.”

Claims - made and occurrence

Let’s start on the left hand side of the certificate. Under the words “General Liability” are two small boxes - one labeled “Claims-made” and the other “Occur” (short for occurrence). These items let you know how the entity’s liability policy is written with regards to when a claim arises. Claims-made means that if an incident happens, the “claim” for that incident must be “made” during the policy term. Occurrence means that the incident must only “occur” during the policy term for the policy to answer. Logically you can see how one of those may be more desirable to have than the other, so these two boxes are important to make note of. Typically most General Liability Policies are written on occurrence forms with claims made left mostly to professional liability coverages.

Per project, or per policy?

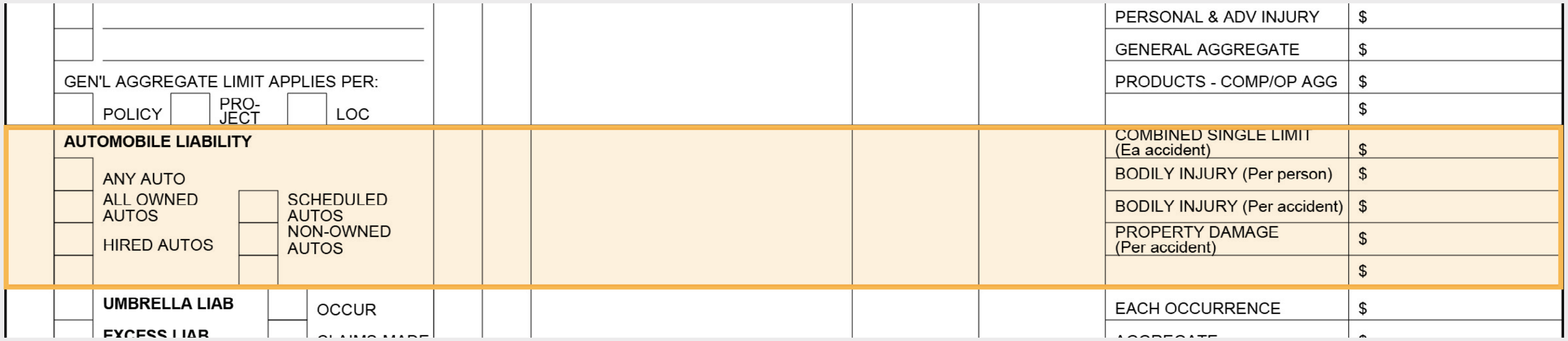
Directly below the “Claims-made” and “Occur” boxes is a section that reads “Gen’l Aggregate Limit Applies Per:” and then “Policy”, “Project”, and “Loc”. A mark in one of those boxes tells you how the limits of the policy will apply. Per Policy means that the general aggregate limit is available for the Policy term only; meaning the total amount available to pay claims is that limit and if it all gets paid out on a claim before the policy term is over, there would not be additional limits available. Per Project means that the Insurance Company is willing to allow the general aggregate limit to apply to each “project” the entity is involved in/works on. Per Location means that the Insurance Company will apply the general aggregate to each “location” the entity owns/works at, etc. So what does this really mean? Let’s take construction for an example. What if a subcontractor hired has a policy that applies the limits on a “per policy basis” and they’ve suffered a large claim prior to starting work on your project? This could mean if a claim then happens on your project, the policy limits could potentially be exhausted by that last claim leaving you uncovered! As you can see, there are distinct differences between those three designations, so this area is equally important to pay attention to.

This could mean if a claim then happens on your project, the policy limits could potentially be exhausted by that last claim leaving you uncovered! As you can see, there are distinct differences between those three designations, so this area is equally important to pay attention to.

How much coverage do they have?

On the far right side of the General Liability section of the certificate are the Limits. While this section can be self-explanatory, it is helpful to be familiar with some of the “sublimits” and what they mean. According to the IRMI website, a sublimit is: “A limitation in an insurance policy on the amount of coverage available to cover a specific type of loss. A sublimit is part of, rather than in addition to, the limit that would otherwise apply to the loss. In other words, it places a maximum on the amount available to pay that type of loss, rather than providing additional coverage for that type of loss.”

Now that may sound confusing at first, but if you take a look at each of the limits listed in that section, they might make a little more sense to you after reading that explanation. The two that could have the most impact are the “Each Occurrence” limit and the “General Aggregate” limit. The dollar value that appears on the line next to “Each Occurrence” indicates how much the Insurer will pay (a “maximum”) for each “occurrence”. (An occurrence is an “accident, including continuous or repeated exposure to substantially the same harmful conditions” that results in a claim being filed.) If the certificate you are looking at has indicated that the policy is written on a “Claims-made” basis (see the paragraph above), then that “Each Occurrence” line might read “Each Claim”. The General Aggregate limit is the most an insurance policy will pay for all covered losses during the policy term. Typically the ratio between those two limits is 1:2; for example $1,000,000 Each Occurrence and $2,000,000 General Aggregate. Other limit combinations are available; it just depends on what individual Insurance Companies offer or what the insured entity has chosen to buy. For example: $2,000,000 Each Occurrence and $4,000,000 General Aggregate or even a policy with $1,000,000 Each Occurrence and $3,000,000 General Aggregate. There are many variations.



GEN'L AGGREGATE LIMIT APPLIES PER:
POLICY | PRO-JECT | LOC
AUTOMOBILE LIABILITY
ANY AUTO
ALL OWNED AUTOS
SCHEDULED AUTOS
HIRED AUTOS
NON-OWNED AUTOS
UMBRELLA LIAB | OCCUR
EXCESS LIAB | CLAIMS MADE
PERSONAL & ADV INJURY $
GENERAL AGGREGATE $
PRODUCTS - COMP/OP AGG $
$
COMBINED SINGLE LIMIT (Ea accident) $
BODILY INJURY (Per person) $
BODILY INJURY (Per accident) $
PROPERTY DAMAGE (Per accident) $
$
EACH OCCURRENCE $
AGGREGATE $

TIP 4: AUTOMOTIVE LIABILITY

Now we come to the section that provides information about commercial automobile liability. There are couple of things to keep in mind here. First, this section is providing you information about liability only as this is a liability certificate. Nothing in this section refers to coverage for damage to autos the Insured listed on the certificate. Second, the key to understanding commercial auto liability is to know about the “symbols”.

It's all about the symbols

What’s the deal with Commercial Auto Policies? It’s an Auto Policy, right? Everybody has one if they own a car. How different can they be from Personal Auto Policies? Very. A personal auto policy will provide coverage for some business use of a vehicle. However, a personal auto policy is unlikely to provide coverage if the vehicle in question is used primarily for business. Thus, it is crucial that Commercial Auto Liability be in place for your vendors/ subcontractors or any entity you do business with.

An important item to keep in mind when reviewing certificates is which type of Auto Liability does the vendor have? If they have chosen coverage that is very narrow, there could be an instance where they’ve obtained a new vehicle and not let their Insurance Company know which would leave it uncovered. In turn, you would also be uncovered if they drove that uncovered vehicle onto your property or jobsite and an incident occurred. How can you tell what “type” of coverage they have? It’s all in the symbols.

Commercial Auto Liability can be very broad, or very narrow which is where the “symbols” come into play. The policies use “symbols” (actually numbers) to indicate the scope of coverage the policy is providing. For instance, Symbol 1 = “Any Auto” which is the broadest (and often most costly) option. Symbols 8 and 9 refer to “Hired” and “Non-Owned” Autos respectively. These symbols translate directly into the ACORD form Automobile Liability section. While we don’t see the actual number “symbols”, we do see the most common of these coverage options spelled out with check boxes next to them appearing in the far left hand column. You will want to pay particular attention to those boxes and which ones are checked on your certificate.

AUTO LIABILITY

Here is a guide to the Commercial Auto Liability "checkboxes" and what coverage they translate to:

Any Auto

Covers "Any Auto", the broadest coverage available (symbol 1 on the Commercial Auto Policy)

Any Owned Auto

Covers all automobiles owned by the Insured (symbol 2)

Scheduled Autos

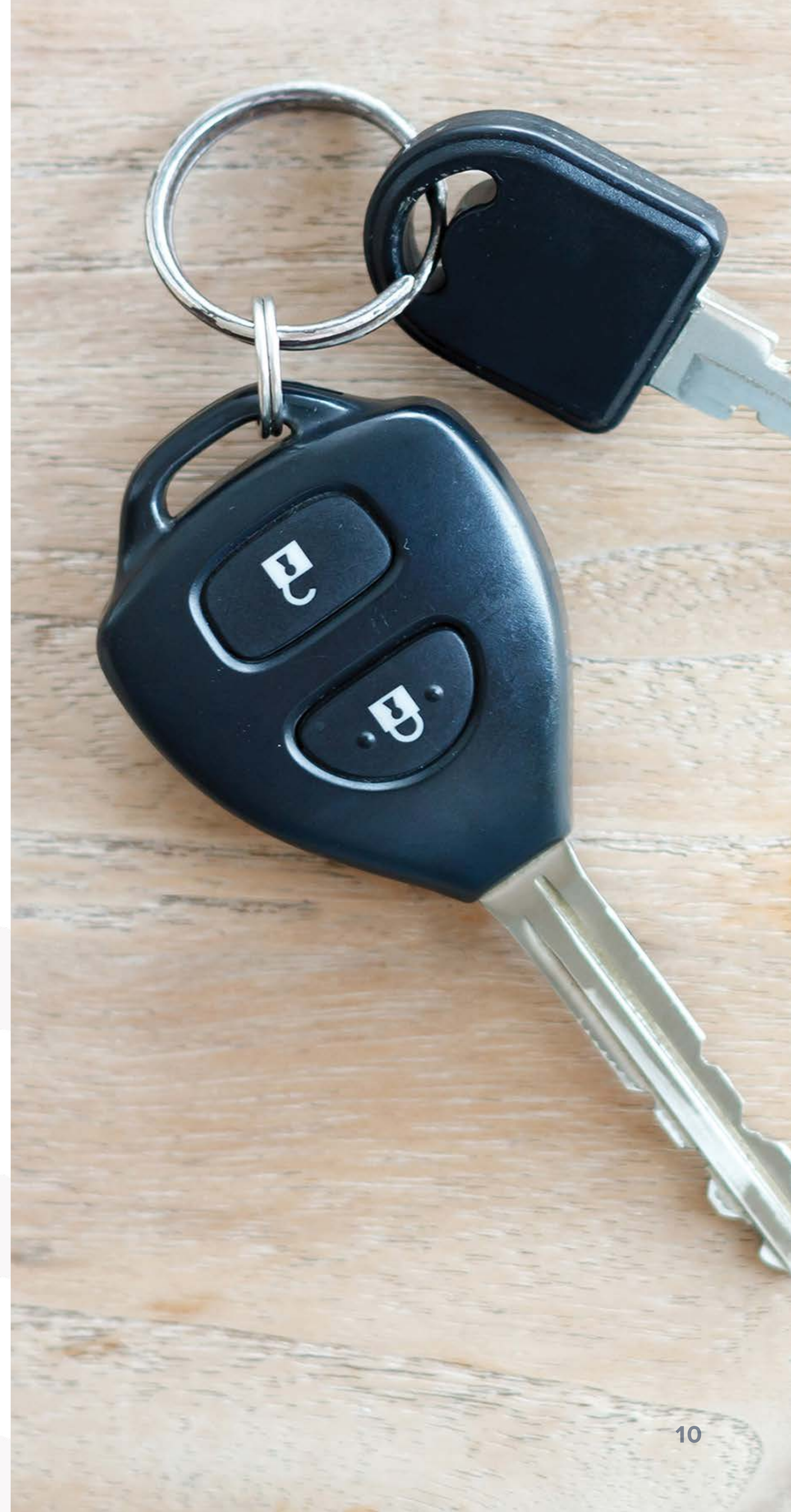
Covers autos specifically described in the policy declarations (symbol 7)

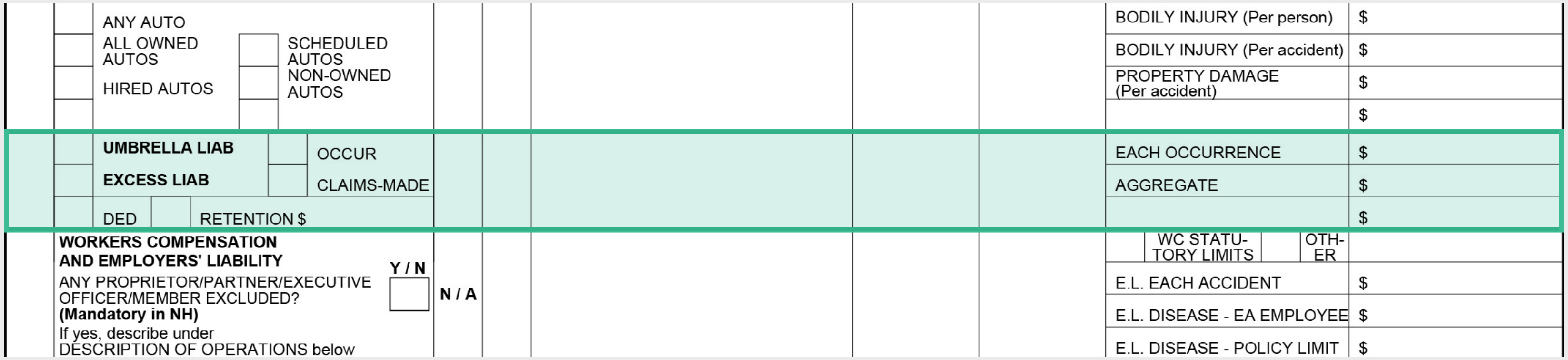
Hired Autos

Covers any automobiles the Insured hires (symbol 8)

Non-Owned Autos

Covers automobiles the Insured does not own (symbol 9)





ANY AUTO		BODILY INJURY (Per person)	$
ALL OWNED AUTOS	SCHEDULED AUTOS	BODILY INJURY (Per accident)	$
HIRED AUTOS	NON-OWNED AUTOS	PROPERTY DAMAGE (Per accident)	$
			$
UMBRELLA LIAB	OCCUR	EACH OCCURRENCE	$
EXCESS LIAB	CLAIMS-MADE	AGGREGATE	$
DED RETENTION $			$
WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	Y / N	WC STATU-TORY LIMITS / OTH-ER	
ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? **(Mandatory in NH)**	N / A	E.L. EACH ACCIDENT	$
If yes, describe under DESCRIPTION OF OPERATIONS below		E.L. DISEASE - EA EMPLOYEE	$
		E.L. DISEASE - POLICY LIMIT	$

TIP 5: UMBRELLA / EXCESS LIABILITY

Moving on down the form to the section below Automobile Liability is the Umbrella /Excess Liability section. Umbrella Policies are quite common in commercial insurance and while their occurrence is frequent, their specifics vary. More than likely your business agreement/contract has a requirement for Umbrella Liability. It seems pretty straight forward on the surface, but once again, it is helpful to have a little bit of background on this type of insurance to better understand what you're seeing on the certificate you're looking at.

Think "rainy day"

There is a reason Umbrella policies are called “umbrella”. Because they literally “extend” over other types of liability policies. The term was actually coined sometime in the early 1950’s to refer to a special coverage provided by Lloyd’s of London called “broad form thirdparty excess liability”. The “broad form” phrase was a little too lengthy for communication sent by wire or cable, so it was shortened to “umbrella”. When it rains, you use an umbrella that is held up over your head covering you from the wetness as the rain falls. Umbrella liability works in the same conceptual way. It is “held up” over an entity’s Liability Insurance Policies (including but not limited to General Liability, Automobile Liability, and Employers Liability (Part 2 of Workers Compensation) and, among other things, provides coverage limits in addition to what is available to them under those “primary” liability policies.

In contrast, the box below “Umbrella Liab” is labeled “Excess Liab”. There is a difference between these two types of policies that we should point out. As mentioned above, a true Umbrella Liability Policy will provide excess limits over several liability policies. An Excess Liability policy also provides excess limits, but is not as broad as an Umbrella Policy. If your contract or agreement calls for Umbrella Liability and the box for “Excess Liab” is marked on your cert, you may want to obtain additional information. Below that is a line where the issuer may enter information pertaining to the Deductible or Retention on the policy. Umbrella Liability Policies have a Retention that the Insured is required to pay before the policy will kick in with it’s extra limits. A retention is a similar concept to a deductible, however a retention is first-dollar, meaning the insured must pay any and all fees/costs/etc related to a claim before the Umbrella will begin to pay out. Alternately, a deductible provides for fees/costs/etc to be paid by the insurance company up front and then collecting the deductible amount due from the insured on the back end.

To the right of those two boxes are two more boxes labeled “Occur” and “Claims-Made”. Typically the Umbrella or Excess Policy would be written on the same basis (see “General Liability” section above) as the Liability policies they are extending. Depending on the General Liability policy in place, the Umbrella or Excess Policy would be occurrence-based or claims-made. The box marked should match the box marked in the General Liability section.which ones are checked on your certificate.

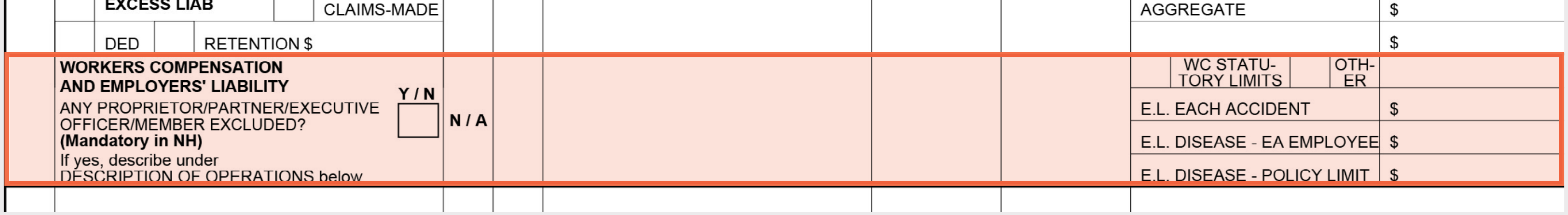
At the far end of the row is the place where the limits are provided. This section allows for “split limits” to be entered - a limit for “Each Occurrence” and a limit for “Aggregate” (see “General Liability section above). Typically these two limits will match, however there are times where the “ratio” is 1:2 (ie, $1,000,000 Each Occurrence/ $2,000,000 Aggregate).

It is also important to keep in mind that just because an Umbrella policy has the ability to extend other Liability policies doesn’t necessarily mean it does. Never assume. A best practice would be to confirm that it does indeed extend over the types of coverage your contract/agreement requires. There are instances in which a business entity may have two different Insurance Agents handling different policies for them. If one Agent “controls” the Auto Liability and the other “controls” the Umbrella, there is a possibility that the Umbrella may not extend over the Auto Liability. Some Insurance carriers are not fond of having their Umbrellas extend over coverages provided by companies/agents they are unfamiliar/uncomfortable with (ie; the carrier has a poor financial rating - see Tip #2 above).To the right of those two boxes are two more boxes labeled “Occur” and “Claims-Made”. Typically the Umbrella or Excess Policy would be written on the same basis (see “General Liability” section above) as the Liability policies they are extending. Depending on the General Liability policy in place, the Umbrella or Excess Policy would be occurrence-based or claims-made. The box marked should match the box marked in the General Liability section.

An important item to keep in mind when reviewing certificates is which type of Auto Liability does the vendor have?

WOW! LOOK HOW FAR YOU’VE GOTTEN!

You’re almost done with your review. Read on for Tips 6-8...


EXCESS LIAB
CLAIMS-MADE
DED
RETENTION $
AGGREGATE
$
$
WORKERS COMPENSATION AND EMPLOYERS' LIABILITY
Y / N
ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?
(Mandatory in NH)
If yes, describe under DESCRIPTION OF OPERATIONS below
N / A
WC STATU-TORY LIMITS
OTH-ER
E.L. EACH ACCIDENT
$
E.L. DISEASE - EA EMPLOYEE
$
E.L. DISEASE - POLICY LIMIT
$

TIP 6: WORKERS COMP & EMPLOYER'S LIABILITY

Equally as important as the General Liability section, the “Workers Compensation and Employers’ Liability” section of the Certificate is another area you’ll want to pay particular attention to. This Tip will not only decipher what it is the section is telling you, we’ll also give you a high-level overview of Workers Compensation Insurance and how it is governed by State Statutes and how those statutes can differ.

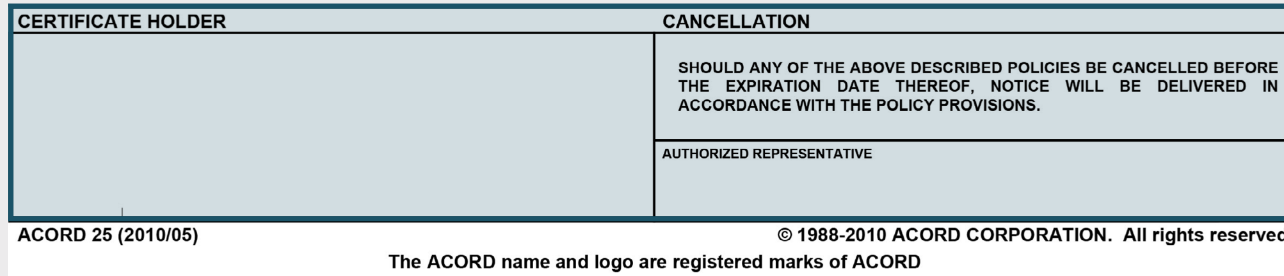
If a company has employees they have to have Workers Compensation, right?

Wrong. There can be many instances where a business entity does not have to carry Workers Compensation Insurance. For example, in the state of Texas, Workers Compensation Insurance is not a requirement, but a choice. In Texas, private employers can choose whether or not to carry Workers’ Compensation insurance. So don’t ever assume that they would have coverage - there are many state-specific differences. Also, if your contract/lease/purchase order etc. has Workers Compensation as a requirement, you may want to decide internally how to handle these differences beforehand.

In the far left-hand column of the Workers Compensation and Employers’ Liability section of Certificate, there is one piece of information that will be notated. There is a box labeled “Y/N” and next to it appears the following wording: “Any Proprietor/Partner/ Executive Officer/Member Excluded? (Mandatory in NH)”. It is important to pay particular attention to this box if there is a letter there. If the preparer of the certificate has entered an “N” in that box, there are NO individuals excluded from Workers Compensation. (In some states, executive officers may “opt out” of Workers Compensation coverage) If there is a “Y” in the box, down below in the “Description of Operations Box” (Tip #8) should list the excluded individuals’ names and job title/position within the company. The most preferable option is the “N” over the “Y”. The preparer could also choose to leave that box blank, which is allowed except in the State of New Hampshire where that box must be filled in. Always make it a point to notice this box because your organization may really need to know whether an uncovered individual is stepping on to your jobsite/property. If you’ve contracted with a small business where the owner performs work onsite but has chosen to be excluded from workers compensation; when an injury occurs, beware - it could potentially end up as a claim on your own policy.

The far right hand column is where you will find the “limits” applicable to this Insurance Policy. As you may know, Workers Compensation Insurance comes in two “parts”. Part One of the Policy covers the employer’s statutory liabilities under workers compensation laws (which vary by state). This section would pay medical expenses incurred as a result of a job-related injury, and lost wages. Part Two of the Policy is for Employers’ Liability or “liability arising out of employees’ workrelated injuries that do not fall under the workers compensation statute”. The limits that appear in this section refer to Part Two, Employers’ Liability. As in other sections, this section also shows split limits. There is a limit for “Each Accident”, “Disease - Each Employee”, and “Disease - Policy Limit”.

There can be many instances where a business entity does not have to carry Workers Compensation Insurance.



CERTIFICATE HOLDER	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

ACORD 25 (2010/05)

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TIP 7: CERTIFICATE HOLDER

We've now reached one of the most misunderstood sections of the ACORD Certificate of Insurance. At the very bottom of the form is a box labeled "Certificate Holder". While the title of the section seems pretty selfexplanatory, there are a lot of misconceptions about the certificate holder designation and what rights it may infer.

Isn't the Certificate Holder an Additional Insured?

When a Certificate of Insurance is prepared, the name and address of the entity requesting the certificate appears at the bottom of the form in the "Certificate Holder" box. Essentially any entity can request a certificate and be a certificate holder. Being one does not automatically give "rights" of coverage to the individual/ entity listed. On the ACORD 25 2010/05 edition, the following wording appears at the top of the form: "If the certificate holder is an ADDITIONAL INSURED, the policy (ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s)". That statement is important to keep in mind when reviewing a certificate of insurance. If your organization requires Additional Insured status as part of your business agreements, you might want to take an extra step and confirm that you have indeed been endorsed onto the policies in question. There are some companies that have wording on their endorsements stating "the certificate holder is named as Additional Insured". In that case, it is also important to ensure that all the wording or entities you require to be named appear in the Certificate Holder box. Once again, the best way to confirm that everyone is covered that should be, is to obtain copies of the applicable endorsements.

There is one benefit to being a "Certificate Holder". Some Insurance Carriers/Insurance Agencies will provide Certificate Holders with notification that a policy they hold a certificate for has been canceled. Keep in mind they are not required to do so, and they may also abide by the terms outlined in the policy itself. The following wording appears next to the Certificate Holder Box(ACORD 25 2010/05) and is labeled "Cancellation": "Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions." It may not be timely, and it may arrive by "snail mail", but you may notified. This may be an important advantage in dealing with vendors or suppliers or subcontractors or the like.

So to answer the question posed above, No, the Certificate Holder is not an Additional Insured unless the policies in question are endorsed to extend coverage to those additional entities. When drafting insurance requirement guidelines for a business agreement/contract/lease, etc., remember not to require that your organization be a "Certificate Holder", but rather an "Additional Insured". There is a difference, and the difference is substantial.

Essentially any entity can request a certificate and be a certificate holder. Being one does not automatically give "rights" of coverage to the individual entity listed.

If yes, describe under
DESCRIPTION OF OPERATIONS below

E.L. DISEASE - POLICY LIMIT | $

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER **CANCELLATION**

TIP 8: DESCRIPTION OF OPERATIONS

We've saved the most interesting section for last. The "Description of Operations" section of the ACORD 25 Certificate of Insurance is the "catch all". It is the place where the certificate issuer has the opportunity to add additional details about coverage, list location addresses, list policy form or endorsement numbers, etc.

If you are wanting the certificate to reference a specific project or contract number, more than likely it would appear in this section. Accepted usage of this box encompasses many things and tends to vary throughout the industry; however, there are standard best practices that insurers and agents must follow. More specifically, most states have regulations about what information can or cannot be included in this section. While they differ to some degree, the common underlying theme is that the issuer MUST only include information about the features of the policies they are including on the certificate. They cannot include false information, or information that does not pertain to the highlighted policies.

Some Federal Legislation also exists that prohibits agents and insurers from issuing certificates that contain false information. One of the provisions of the 2012 U.S. Senate Bill 425 "Prohibits agents and insurers from issuing a certificate or similar document that alters, amends or extends the coverage or terms and conditions provided by the insurance policy referenced on the certificate or document". Be particularly careful about what you are requesting to be included on Certificates, as some Agents will not or are not able to oblige depending on the state and/or circumstance. According to the ACORD Forms Instruction Guide, the Description of Operations Box should be used "to provide additional comments or special conditions that may exist upon the policy or record information necessary to identify the operations, locations and vehicles for which the certificate was issued".

Despite the existence of these guidelines and best practices, it is still very common for the individual providing the certificate to put information in the box that is not accurate to the coverage in place(even if unintentional). Some studies have shown that these types of "errors" are the source of more than 40% of Insurance Agent E&O claims. A good way to prevent those "errors" from costing your organization is to ask for copies of the policy endorsements along with your certificates. This will provide proof that the Additional Insured status you are seeking has been granted and that the Waiver of Subrogation you require is indeed in your favor. For more on these and other topics, visit the myCOI website and check out our blogs.

...THAT'S THE END?

Considering this document is nearly 20 pages long, wouldn't it be great if you could have a partner in your quest to efficiently track and manage all those certificates of insurance in your binder (or on your desk, in the file cabinet, or on the floor, etc.,etc.)? myCOI can help. We have a solution for just about any situation. Our cloud-based software can help you store your documents digitally and even track their expirations and automatically send renewal requests. Still not feeling quite up to the task? Let us take it one step further and provide not only the software, but a team of insurance professionals who can take on the compliance review for you. Contact myCOI today for a free demo of our product. You'll be glad you did.

Thanks for reading our tip sheet and happy reviewing!

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