

Reviewing Certificates of Insurance

This document highlights key areas you should review before accepting a Certificate of Insurance as evidence of in-force insurance.

Certificates of Insurance (COI) are used in many business relationships as evidence that the party providing the certificate has an insurance policy in effect. The certificate usually summarizes the essential terms, conditions and duration of the policy at the time that the certificate was issued.

Although certificates are not the legal equivalent of actual insurance policies, they are the customary means of verifying insurance coverage. They are easier for certificate providers to obtain than the policies themselves, and easier for the certificate holder to review and store.

Types of Certificates

Most insurance companies or agents will provide certificates based upon standardized forms published by ACORD (Association for Cooperative Operations Research and Development). These forms provide basic information about the coverage, such as the types of insurance, limits in effect, and any special insurance requirements that have been requested (e.g., naming of your company as an Additional Insured). ACORD 25 is the basic certificate used for liability insurance.

What Is Additional Insured Status?

- A party with Additional Insured status has direct access to the other party's (the Named Insured's) insurance policy, including immediate access to legal defense. Without Additional Insured status, the first party would need to submit a claim to their own insurance carrier, and then attempt to recover damages and legal fees using a contract's indemnity clause or through subrogation.

- The Named Insured's insurance carrier cannot subrogate against Additional Insureds.
- A Vendors Endorsement gives a company that is selling the products of another company Additional Insured status on the first company's Product Liability insurance policy. A Vendors Endorsement may specify "blanket" coverage of all products and all vendors, or it may be specific to certain ones.
- Additional Insured status is generally not available on Workers' Compensation policies.
- An Alternate Employer Endorsement provides primary Workers' Compensation and Employer's Liability coverage to another party, such as customers of a temporary employment agency.

Certificate Review

You should review all certificates provided to you for accuracy and for conformance to your specified insurance requirements.

These insurance requirements should be spelled out in a written contract. For details, see Hanover's Risk Solutions Topic on Contract Management. This initial review can reduce the occurrence of disputes later on, in the event you must file a claim.

Important areas for review include:

- Is the Certificate of Insurance provided on a proper form, such as ACORD 25?
- Is the company named on the certificate precisely the same name that is in your contract with this company?
- Have you been named as the Certificate Holder (see the bottom left of the ACORD 25)?
- Have you been named as an Additional Insured (look for a checkmark in the ADDL INSR column)?
- Does the certificate indicate that the right of subrogation has been waived (look for a checkmark in the SUBR WVD column)?
- Have the policies been issued by reputable insurers with acceptable financial ratings?
- When dealing with international business partners, are the insurance companies domiciled in the United States?
- 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 as or greater than those required by you under the contract?
- Are the policy numbers listed on the certificate?
- Are the dates of coverage adequate for the specified work? If any required policies will be expiring during the course of the work, be sure to request a new certificate before the old one expires.
- Are the "Notice of Cancellation" provisions acceptable (see the bottom right of the ACORD 25)?
- Does the certificate indicate any special insurance requirements that you have required in the contract? Examples might include coverages that are specific to the business relationship such as Liquor Liability or Fire Legal Liability.
- 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 (e.g. hand-written notes, wording crossed out, etc.)?

Deficient Certificates

You should develop a procedure for responding to deficient certificates. At a minimum, this should address giving the certificate provider written notice of any identified deficiencies, and requiring that they provide a corrected certificate before they are allowed to start work. Contract documents should clearly state any penalties for failing to provide a certificate that matches the insurance requirements in the contract.

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