The Nightmare of Certificates of Insurance

by Bernard Blaschak, E&O Underwriting Manager

It seems simple enough to complete a Certificate of Insurance (COI), but this single piece of paper causes multiple headaches for people inside and outside the insurance industry.

The process to issue a COI seems straightforward: the agent receives a request to issue a certificate from the client to ABC Company. The agent then passes the request on to whoever in the agency is responsible for issuing certificates. The certificate holder's information is entered into the system. The print button is hit and — voila! — the COI comes out of the printer. The certificate is put in the outgoing mail and sent to the appropriate parties. But there's a problem: the COI is invalid as the client's general liability policy was canceled for nonpayment yesterday.

Let's take a look at the information needed to complete the COI:

- name of the carrier
- limits of liability, coverages
- policy numbers
- effective/expiration dates

While this does not seem to be an overabundance of information, ask yourself how many of these items could or may have changed during the course of the policy period.

How does the agency cope with all of the possible changes? It certainly can be a daunting task if the agency does not have a written procedure to handle certificates at both the front and back ends, given the number of them issued by the agency in any one year.

On the front end, when the policy is issued, the policy information entered into the system should be checked by the person doing the entry. It should be checked again by another person and, if feasible, a third person should check it as well. Each person should sign off that they have checked the certificate for accuracy against the policy.

Part of your written procedure should include having certificates updated whenever policy changes are made. This ensures that all certificate holders have the most recent policy information.

Whenever a request for a certificate is made, always check the most current policy to ensure the accuracy of the certificate before delivery to the certificate holder. Please keep in mind one other item: Is the policy actually in force? Always verify that the policy is actually in force. If you can't verify the status the policy, don't issue the certificate. As many carriers no longer require that the certificates be sent to them, it is even more important that you verify the accuracy of the information included in the certificate.

Another area where mistakes seem to always pop up is additional insureds. Many certificate holders ask to be named as additional insureds (landlords, contractors, and vendors come to mind). Are they really on the policy as additional insureds? If not, there is a problem. One way to help this situation is to add a Blanket Additional Insured Endorsement to the policy. Some carriers do this freely, while others take a more conservative approach. If your carrier is the latter, you will need to include in your procedures a plan to add each entity as the request is made. Not only do you need to make the endorsement request, but you also need to be sure the endorsement is received. Do not send the carrier a copy of the COI showing the additional insured status of the certificate holder and assume the carrier is going to recognize it as your request to issue an endorsement. You should send a specific endorsement request for each and every additional insured request that you receive from your clients. The follow up guidelines you establish here need to be followed to the letter. Your follow up ensures that the carrier did receive the request and will be issuing the endorsement for you.

Many carriers have requested that their agents no longer send COI's for their review, acceptance or verification of accuracy. The ACORD certificate says (in part), "The issuing company will endeavor to mail "X" days written notice to the Certificate Holder..." — but how can the carrier send the notification if they do not have the certificate? Does that mean you as the authorized agent are now required to advise the certificate holders if a policy has been canceled? One idea may be to send the carrier a single master certificate with a listing of all of the certificate holders attached with a cover letter asking the carrier to comply with the certificate cancellation wording. Some carriers may comply, others may not; it's up to you.
to keep track. Also as new certificate holders are added, you need to update your certificate holder listing.

Certificates of Insurance don't have to be a nightmare. A little care in handling them will go a long way toward avoiding an E&O claim, and ensure that you sleep well at night.

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