
Introduction to Certificates of Insurance

Most commercial agreements (e.g., leases, service contracts, or vendor agreements) contain risk allocation and insurance provisions that require one party to accept responsibility for certain losses and to obtain a sufficient amount of insurance to be able to meet their financial obligations should losses occur. Certificates of insurance (COIs) are the customary method of showing that the party providing the certificate has met their insurance requirements. This handout provides a brief overview of COI.

What Is a COI?

A certificate of insurance is a form that is issued by an insurer or their authorized representative and provides evidence that a company carries insurance. The certificate usually summarizes the essential terms, conditions, and duration of the specified policy at the time that the certificate is prepared. Typical information that is provided includes: contact information for the insured, the broker or agent issuing the certificate, and the person being issued the certificate; the names of all insurers providing coverage documented on the certificate; the policy number(s); a description of the types and limits of insurance; the coverage dates; and a signature of the insurer's agent or representative. In addition, the certificate should include any special insurance requirements that have been specified in the commercial agreement (e.g., the naming of the certificate holder as an additional insured).

Certificate Forms

COIs are published in three basic forms. Most certificates are printed using standardized forms developed by ACORD (Agency-Company Organized Research Development), an insurance industry organization. ACORD revises these forms as issues arise. The certificate requestor or provider may modify the basic ACORD form to address policy provisions. The certificate requestors or providers may also develop their own form (i.e., "manuscript forms"). Because manuscript forms are non-standard, it is often difficult to have such forms completed and their use is limited to companies with large market power or for large projects.

Benefits of Certificates

There are several benefits to using certificates, rather than requesting certified copies of the policies themselves. The primary benefit is convenience. The certificate can be obtained quicker and easier and require fewer resources to review and store than the policy itself. It can be used to demonstrate the coverage that existed at a particular time and provide the basic information that will be needed in the event a claim is filed or a dispute arises. The certificate will not contain any confidential business information that would be part of the policy, such as company sales or payroll information. Also, the certificate holder is less at risk for inadvertently waiving potential coverage arguments for failure to adequately review the policy.

Limitations of Certificates

There are several limitations to the use of certificates. A COI only confirms that the certificate provider carried the specified insurance at the time the certificate was prepared. It does not guarantee that the insurance will not be cancelled after certificate issuance and before the completion of the contractual arrangement, that the coverage limits will not be exhausted by other claims, that all required endorsements have been added to the policy, or that the policy does not contain other endorsements that reduce coverage, which are not included on the COI. Most importantly, a COI is not the legal equivalent of a policy and does not create a contractual relationship between the certificate holder and the insurance company issuing the policy. This is reinforced by disclaimers placed in the standard ACORD forms that the certificates are for "informational purposes only" and do not "amend, extend, or alter the coverage afforded by the policies." Because of this, as a general rule, courts will enforce the language of the policy over the COI in the event of a conflict between the two documents.