

Certificate of Insurance



It's important to note that what's said in this FAQ is not intended to serve as legal advice and is only a general statement not directed to any particular set of facts.

FAQs

WHAT IS A CERTIFICATE OF INSURANCE?

A certificate of insurance is a document that provides information about insurance policies. Millions of insurance certificates are issued every year, primarily in the United States. The majority of certificates are issued upon policy renewal to provide this information to third parties. These third parties are known as certificate requestors/holders. Generally speaking, certificates list one or more lines of insurance, the limits associated with those coverages, and the insurer providing coverage.

WHAT CERTIFICATES OF INSURANCE DOES ACORD PUBLISH?

ACORD publishes the following certificate of insurance forms:

- ACORD 20 - Certificate of Aviation Liability Insurance
- ACORD 21 - Certificate of Aircraft Insurance
- ACORD 22 - Intermodal Interchange Certificate of Insurance
- ACORD 23 - Automobile Certificate of Insurance
- ACORD 24 - Certificate of Property Insurance
- ACORD 25 - Certificate of Liability Insurance
- ACORD 27 - Evidence of Property Insurance
- ACORD 28 - Evidence of Commercial Property Insurance

WHY DO BROKERS AND AGENTS ISSUE CERTIFICATES OF INSURANCE?

Policyholders may request a certificate of insurance for many reasons. Some of the more common are:

- They are a tenant, and a building owner is requesting information about the existence of liability insurance coverage
- They are the mortgagor of a building, and are requesting information about the existence of property insurance coverage upon closing or renewal
- They leased equipment and the owner of equipment wants information about the existence of property insurance coverage while equipment is in possession of the client
- They need evidence of workers compensation insurance in order to obtain a contract.

WHAT'S THE DIFFERENCE BETWEEN A CERTIFICATE AND A POLICY?

A Certificate of Insurance is NOT an insurance policy, and does not serve to provide, endorse, amend, extend or alter in any way the terms of an insurance policy. Only an endorsement, rider or amendment to the policy can effect changes in coverage. Reference to a contract between the client and a third party on a certificate does not provide coverage.

WHY ARE THERE SEPARATE CERTIFICATES FOR PROPERTY INSURANCE AND LIABILITY INSURANCE?

Typically, a property insurance policy obligates the insurer to notify the mortgage holder in the event of policy cancellation. A typical liability insurance policy obligates an insurer to notify only the first named insured and no one else of policy cancellation, unless the policy is endorsed to provide notice to another party. For this reason, ACORD working groups recommended publishing separate certificates.

I'M AN INSURANCE PRODUCER, AND A CLIENT HAS ASKED ME TO USE AN OLDER VERSION OF AN ACORD CERTIFICATE—WHAT SHOULD I DO?

As is true for all ACORD forms, we monitor and revise our forms as regulatory requirements change, and, where necessary, file them with state insurance departments as required. Any earlier editions of our forms that have been withdrawn from the forms library are not kept up-to-date as to regulatory requirements, and therefore should not be distributed for use. You should tell your client that a non-current version of an ACORD form may not be compliant with insurance regulations and that its use would be risky. It is imperative that all ACORD forms users use the most current versions of our forms. You can determine which of ACORD's forms are current by referring to our website (www.acord.org).

MY AGENCY MANAGEMENT SYSTEM STILL PROVIDES AN OLDER CERTIFICATE, AND A CLIENT HAS ASKED ME TO ISSUE ONE. WHAT SHOULD I DO?

You should ask your agency management system vendor if a software update containing current ACORD forms is available and how you can obtain that update. Vendors have certain software-updating obligations in response to forms revisions.

To use ACORD forms you have to be licensed by ACORD. Generally speaking, under ACORD's present licensing regime, agents and brokers can be licensed in two ways. One way is to buy ACORD forms-producing software from an ACORD-licensed vendor. In that case, the purchaser becomes authorized to use ACORD forms via that software. If an agent or broker wants to use an ACORD form other than through an ACORD-licensed vendor, it is easy to become licensed through ACORD's Advantage program. (The program is detailed at <http://www.acord.org/standards/forms/advantage/Pages/default.aspx>).

Regardless of where users lawfully obtain ACORD forms, it is strongly suggested that they regularly go to ACORD's website (www.acord.org) to obtain information on the currency of the forms being utilized and, if necessary, follow the instructions to download the current versions.

Once a form is outdated, ACORD no longer checks on whether it remains regulatorily compliant. Thus, anyone using an outdated form does so at great risk.

You should consult with your legal adviser on how ACORD's licensing requirements apply to your situation and how you may be affected in the future by any changes ACORD may make to its present licensing structure.

WHY DID THE CERTIFICATE CHANGES HAPPEN IN LATE 2009/EARLY 2010?

Some of the changes involved formatting enhancements proposed by an ACORD working group, and voted on by our membership. Other changes were made as a result of changes in state insurance department regulatory requirements. As ACORD often does for the sake of efficiency in our forms production process, in order to minimize the number of times we revise any specific form, we combined these two sets of changes and updated the certificates to reflect all necessary revisions.

WHAT WERE THE RECENT FORMATTING AND REGULATORY CHANGES THAT LED TO NEW RELEASES OF ALL THE CERTIFICATES IN LATE 2009/EARLY 2010?

The updates associated with the regulatory requirements involved two areas on these forms:

- The disclaimer text found near the top of the certificates (immediately below the form title)
- The cancellation text found near the bottom of the certificates

This document focuses on the cancellation text revisions. For reference, here is a comparison of the old text and the new text:

<i>Old Text</i>	<i>New Text</i>
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL ___ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ACORD's Certificates Forms Working Group had been in the process of reviewing various certificates for possible enhancements. During the summer of 2009, working group participants made the following recommendations concerning the old cancellation text:

- The fill-in field for a number of days should be removed. The amount of advance notice required under an insurance policy may vary based upon a carrier's own practices. Some insurance policies include cancellation provisions with allowances for more than one count of days, dependent on the reason for cancellation. For example, many policies may be cancelled with 10 days notice for non-payment, and 30 days notice for other reasons. Therefore, one fill-in field on the certificates for the number of days is inadequate. The precise advance notice at cancellation may vary based on policy language as well as regulatory requirements.
- The word "endeavor" should be removed. Policy cancellation provisions generally don't use the phrase "endeavor to". Only a policy can obligate an insurer to provide notice of cancellation. Unless a policy's provisions explicitly provide for notice to a party also listed as the certificate holder on the certificate of insurance, the insurer is not obliged to notify that party.

At about the same time the Certificates Working Group was considering the cancellation text, the South Dakota Insurance Department issued several Certificates of Insurance Bulletins (2009). As a result, ACORD had to make specific changes to its Certificate Disclaimer Statement(s) (which state in part "This certificate is issue as a matter of information only...") and to its Cancellation Provision(s). ACORD presented the draft cancellation text developed by the working group to the South Dakota regulators and confirmed that the text satisfied its regulatory requirements.

Certificates of insurance may be viewed as a summarized reflection of an insurance policy and are only informational. The policy is the definitive source for its provisions, not the certificate. If any party in addition to the first named insured desires a copy of a cancellation notice in the event the policy is cancelled, that party should be expressly endorsed onto the policy as a cancellation notice recipient.

Each Certificate of Insurance/Evidence form includes, following the "Coverages" section, a field for "Description of Operations" and/or "Remarks", and that section, or an ACORD 101 Additional Remarks Form, may be used to include more information about the policy, e.g. Number of Days of Written Notice.

WHAT IS THE STATUS OF CERTIFICATE UPDATES?

ACORD published new releases of all of its certificate forms in late 2009/early 2010. New versions of the ACORD 24 and ACORD 25 were published in October 2009 and the others were published January 2010. ACORD plans to release new editions of the ACORD 23 & 25 later in 2010 to address non-regulatory formatting changes approved by membership vote in November, 2009. The next release of the ACORD 23 will be expanded in scope to include leased equipment.

WHY ARE THE ACORD 27 & 28 TITLED "EVIDENCE" FORMS?

The ACORD 27 and 28 forms are certificates of insurance designed for delivery to parties that have a financial interest in the property covered by the policy listed on each. These parties are typically lending institutions and the lending community prefers the title "Evidence of..." as contrasted with "Certificate of...". Regardless of the "Evidence" reference in the title, these forms are certificates of insurance, and as stated in the forms, and as required by regulation, are issued as a matter of information only.

WHAT IS THE CURRENT AND FUTURE STATUS OF THE ACORD 27 AND 28?

ACORD's Certificates Working Group identified consideration of potential revisions to the ACORD 27 and 28 forms as a priority in 2008. Throughout 2008 and 2009, much time and effort was spent attempting to resolve differences of opinions concerning these forms, as well as related formatting enhancements. Active participants in the group represented lenders, producers, and insurers. In brief, despite extensive efforts, the participants were unable to come to consensus. The current forms reflect the result of required regulatory changes, and formatting changes developed by ACORD members in an ACORD working group, and voted on in our regular maintenance request process.