

Manager/Supervisor Risk Management

#107– 11/15/12

A twice weekly e-mail training for YCPARMIA members

TOPIC: PROOF OF INSURANCE

Contractors are required to submit written proof to the entity that they have complied with the contract's insurance requirements. The proof should be reviewed and approved prior to the start of any work, and certainly before any payments are made. It should be remembered that the contractor's deal with these standard risk transfer requirements on just about every contract, so there should be no reason, excuse, or justification for delay.

While some contracts reserve the entity's right to obtain a complete copy of the contractor's insurance policy, the most common method of satisfying the proof of insurance requirements is to submit a Certificate of Insurance and a copy of the executed additional insured endorsement.

The great majority of certificates received by an entity will be an ACCORD form – a standardized insurance industry form. This certificate basically states that at the moment in time when it is signed the coverage indicated on the form exists. It does not guarantee that coverage will continue, and more importantly, it does not confer any rights on the certificate holding entity.

To emphasize this, the ACCORD form contains disclaimers.

“This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by the policies below. This certificate of insurance does not constitute a contract between the issuing insurer(s), authorized representatives or producers, and the certificate holder.”

“IMPORANT: 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).”

Based on these disclaimers, it would be difficult for an entity to assert that they could have a good faith belief that the ACCORD certificate did anything more than identify the contractor's coverage and limits. Most importantly, the certificate, on its face, states that it does not make the entity an additional insured – that is why a copy of the signed additional insured endorsement should always be required.

Next topic: Proof of Insurance – ACCORD form and endorsements