

HOW TO READ CERTIFICATES OF INSURANCE

WHY SHOULD I REQUEST A CERTIFICATE?

A Certificate of Insurance (COI) provides evidence that an outside group/organization/company conducting activities or business on public property purchased specified types – and sufficient amounts – of insurance should an accident occur. This reduces the risk that public entities will be brought into a lawsuit, because the outside party does not have proper insurance.

WHEN SHOULD I REQUEST A CERTIFICATE?

You should request a COI from:

- **ALL Independent Contractors** – PDRMA has developed several samples of written insurance requirements to use in different circumstances. These requirements specify the types and amount of insurance for the identified circumstance and include samples of the **Additional Insured Police Endorsements** you should receive from the outside party responsible for providing insurance.
 - Construction contracts.
 - Professional service contracts (legal, accounting, architectural services).
 - Transportation services (bus, van, etc.).
 - Use of public property (parks, facilities, vehicles).
 - Lease agreements.
 - Serving liquor.
 - Program instructors.
 - Vendors.

- **Outside Groups, Organizations or Entities Wanting to Use Public Property**
 - See “**Insurance Certificates – When to Request One**” chart.

WHY A COI AND NOT INSURANCE POLICIES?

COIs are a common practice in the insurance industry for good reason. Obtaining required copies of insurance policies from an outside party is cumbersome if not impossible. However, if you request a COI, you must understand what it does and does not do.

WHAT A CERTIFICATE DOES

The COI provides only *general information* about the types and amount of insurance purchased by a party.

- Name of insurance company(ies) providing the coverage.
- Limits/amount of insurance purchased.
- Type of coverage purchased.
- Policy effective and expiration dates.

WHAT A CERTIFICATE DOES *NOT* DO

The COI is **not an insurance policy** and provides only general information, so it does not tell you:

A.M. Best's rating of the financial condition of the insurance company(ies).

- Whether the aggregate limit (total amount of insurance available) is lower because claims have already been made against the policy during the policy year.
- Whether the party purchasing the coverage has a large deductible or is self-insuring a certain dollar amount of loss.
- If the insurance policy has **been endorsed** to add the entity as an additional insured.
- If the policy has been canceled.

WHAT CAN I DO?

Knowing how to read a COI – and using it to determine if the party meets specified insurance requirements – can do much to protect public entities. Obtaining a copy of the appropriate **Additional Insured Policy Endorsement** is very important and goes a long way to help ensure a public entity is properly protected against claims or loss arising from another party's activities or operations.

To help you evaluate the information provided in a COI, the following chart breaks down the certificate into numbered sections and provides an explanation of each. The comments correspond to the numbers shown on the following Sample Certificate of

ACORD™		CERTIFICATE OF LIABILITY INSURANCE				Date (MM/DD/YY)	
PRODUCER 1		3		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICES BELOW.			
		4		INSURERS AFFORDING COVERAGE		NAIC #	
		Insurer A					
INSURED 2		Insurer B					
		Insurer C					
		Insurer D					
COVERAGES							
5 THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES AGGREGATE. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.							
Insr Ltr	Add'l Insurd	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	LIMITS	
	6	GENERAL LIABILITY a. <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY b. <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input type="checkbox"/> _____ <input type="checkbox"/> _____ c. Gen'l Aggregate Limit Applies Per <input type="checkbox"/> Policy <input type="checkbox"/> Project <input type="checkbox"/> Loc	d.	e.	e	f. Each Occurrence	\$
						g. Damage to Rented Premises (Ea occurrence)	\$
						h. Med Exp (any one person)	\$
						i. Personal & Adv Injury	\$
						j. General Aggregate	\$
						k. Products – Comp/Op Aggregate	\$
	7	AUTOMOBILE LIABILITY a. <input type="checkbox"/> ANY AUTO b. <input type="checkbox"/> ALL OWNED AUTOS c. <input type="checkbox"/> SCHEDULED AUTOS d. <input type="checkbox"/> HIRED AUTOS e. <input type="checkbox"/> NON-OWNED AUTOS <input type="checkbox"/> _____				f. COMBINED SINGLE LIMIT (Each accident)	\$
						g. BODILY INJURY (Per person)	\$
						h. BODILY INJURY (Per accident)	\$
						i. PROPERTY DAMAGE (Per accident)	\$
	8	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> _____				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN AUTO ONLY:	
						EACH ACCIDENT	\$
						AGGREGATE	\$
	9	EXCESS/UMBRELLA LIABILITY a. <input type="checkbox"/> Occurrence <input type="checkbox"/> Claims Made b. <input type="checkbox"/> Deductible \$ _____ c. <input type="checkbox"/> Retention \$ _____				d. EACH OCCURRENCE	\$
						e. AGGREGATE	\$
							\$
	10	Workers Compensation and Employers' Liability a. ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> b. WC STATUTORY LIMITS <input type="checkbox"/> OTHER	
						c. E.L. EACH ACCIDENT	\$
						d. E.L. DISEASE – Each Employee	\$
						e. E.L. DISEASE – Policy Limit	\$
	11	OTHER					\$
DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS 12							
CERTIFICATE HOLDER				CANCELLATION			
13				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. 14			
				AUTHORIZED REPRESENTATIVE 15			
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SAMPLE CERTIFICATE OF INSURANCE – HOW TO READ

	Item	Explanation	Comment
1	Producer	The insurance agent/broker through whom the insurance was purchased.	Most likely, this entity prepared the Certificate of Insurance.
2	Insured	The entity that purchased and is covered by the insurance (named insured).	The name appearing here should be the person/organization requested to provide insurance coverage.
3	This Certificate is issued as a matter of information only and confers no rights upon the Certificate Holder. This Certificate does not amend, extend or alter the coverage afforded by the policies below.	The Certificate merely shows the coverages purchased and that the Certificate Holder has no legal right to be covered by those policies. Regardless of what the Certificate states, only the terms and conditions in the actual insurance policy are applicable, and the Certificate does not legally change the policy.	Being listed as “additional insured” on the Certificate has limitations, and your entity may have no legal rights or access to the stated coverages. Insurance companies can and do deny coverage to entities named as “additional insured” on the Certificate. This is why you need an <u>Additional Insured Endorsement</u> ; it changes the insurance policy, adding your entity to the definition of Who Is Insured or Covered.
4	Insurers Affording Coverage, Insurer A, Insurer B, Insurer C, Insurer D	The insurance companies issuing the policies stated on the Certificate.	This section does not indicate the financial condition of the insurance companies. Check A.M. Best’s rating at www.ambest.com for an A VII or better.
5	Coverages	This section states the insurance policies listed below were issued to the insured and are subject to the terms, conditions and exclusions in those policies. The limits shown may be lower due to claims paid during the policy period.	Most likely to be affected are the aggregate limits. The only reliable way to verify whether the limits have been reduced is to obtain a current loss report from the insured for the policy period.
6	General Liability	Liability arising out of the insured’s premises or business operations (while in progress) and products it may produce or its completed business operations.	
6a	Commercial General Liability	The standard insurance policy issued to business organizations, referred to as CGL.	An “X” should appear in this box because this type of policy provides broad, standardized coverage. PDRMA’s insurance requirements specify this type of policy.
6b	Claims Made and Occurrence	Term describing an insurance policy that covers claims made (reported or filed) during the year the policy is in force for any incidents that occur that year.	Occurrence forms are much more broad, and PDRMA specifies them in its insurance requirements. Claims made forms limit coverage and are seldom used today for general liability coverage. The exception to this is Professional

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	Item	Explanation	Comment
			Liability insurance for architects/ engineers/lawyers, etc., which is generally only available in the claims made form.
6c	General Aggregate Limit Applies Per Policy Project Location	Term that indicates the maximum amount the insurer will pay in a policy period.	If the Aggregate limit applies per project or location, it is likely the full General Liability limit will be available if a loss occurs. If the Aggregate limit is per policy, it is recommended the Aggregate limit be 2x the General Liability limit.
6d	Policy Number	The number assigned to a particular policy when issued to help identify what policy was in place at the time of a loss.	This area should not be blank; all policies have numbers when issued. In lieu of a policy number, a <i>Binder</i> number may appear. This means the coverage was obtained, but the actual policy is yet to be issued. A follow-up Certificate should be issued showing the actual policy number within 60-90 days.
6e	Policy Effective and Expiration Dates	States when coverage begins and ends.	Always look at this section carefully to insure the policy has not expired. If the work or contract will go beyond the policy expiration date, require another Certificate that shows coverage meeting the original requirements has been continued or obtained.
6f	Each Occurrence	The most the insurance policy will pay for all losses that arise out of one accident or incident.	Additional amounts of insurance may be available under other insurance policies the insured may have purchased.
6g	Damage to Rented Premises	The most the liability policy will pay if the insured causes damage due to specific named perils to the premises it rents or leases.	A reduced limit – such as \$50,000 – may be provided. If the contract involves rental or lease of public property valued at more than \$50,000, or in a facility valued more than that amount, additional insurance may be required.
6h	Medical Expenses	This is coverage that reimburses others, whether the insured party has done anything wrong, for medical expenses incurred for injuries.	This coverage pays for minor injuries to deter the injured party from hiring a lawyer or filing a lawsuit. A small amount of coverage is provided – usually \$5,000 – and it is often included as part of the commercial liability policy.
6i	Personal and Advertising Injury	Provides coverage for harm other than bodily injury such as libel, slander, wrongful eviction, false arrest, malicious prosecution and invasion of privacy.	This coverage is normally provided as part of the standard commercial general liability policy. Since the greatest risk has been physically injuring someone or damaging their property, this coverage has not been of great concern. However,

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	Item	Explanation	Comment
			some insurance policies now define personal injury to include harassment and/or discrimination (sexual, racial, religious, etc.), so this may become a greater concern.
6j	General Aggregate	The maximum amount of insurance payable during any annual policy period for all losses other than products and completed operations.	PDRMA's insurance requirements state that if the insurance policy contains a general aggregate limit, that limit shall apply separately to this particular job or location. This is done with a special endorsement added to the policy.
6k	Products – Completed Operations Aggregate	The maximum amount of insurance payable during any annual policy period for losses arising out of the insured's products or business operations conducted away from the insured's premises once those operations have been completed or abandoned.	Once a job has been completed, coverage normally would not be provided to the additional insured. If continued liability coverage is desired after the job is complete, the contract should require this for a specified time period (1 or 2 years for example) and subsequent Certificates of Insurance obtained from the contractor.
7	Automobile Liability	Provides insurance for bodily injury and property damage liability arising out of the negligent operation of vehicles.	It is NOT necessary to be named as additional insured under the auto insurance policy, because the standard form already covers the public entity.
7a-e	Any Auto All Owned Autos Scheduled Autos Hired Autos Non-owned Autos	<p>Covers any auto, regardless of ownership.</p> <p>Covers only autos and any attached trailers owned by the insured.</p> <p>Covers only autos specifically listed in the insurance policy.</p> <p>Covers only auto that the insured has leased, hired, rented or borrowed.</p> <p>Covers only autos the insured does not own, lease, hire, rent or borrow when used for the insured's business purposes.</p>	<p>A check appears in the box next to the type of auto insurance provided.</p> <p>ANY AUTO is the broadest coverage and is specified in PDRMA's insurance requirements.</p> <p>If an organization does not own any vehicles and wants to lease, rent or borrow a member's vehicle, either Hired Autos or Non-Owned Autos would be appropriate.</p>

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	Item	Explanation	Comment
7f	Combined Single Limit	The most the policy will pay for both bodily injury and property damage combined.	PDRMA specifies this type of limit in its insurance requirements, because the full amount can be used for either bodily injury or damage to property.
7g	Bodily Injury (per person)	The most the policy will pay for bodily injury to one person arising from one accident.	Combined single limit is recommended, so this section would not apply.
7h	Bodily Injury (per accident)	The most the policy will pay for bodily injury arising from one accident, regardless of the number of people injured.	Combined single limit is recommended, so this section would not apply.
7i	Property Damage (per accident)	The most the policy will pay for property damaged as a result of the accident.	This does not cover damage to the insured's vehicle.
8	Garage Liability	Insurance coverage for auto businesses (dealers, repair shops, service stations, storage garages, etc.) for damage to customers' vehicles in their care, custody and control.	PDRMA recommends requiring this coverage if a public entity is storing vehicles in a storage garage or if vehicles are on the premises and under the custody of an auto business.
9	Excess Liability	An insurance policy that provides coverage in addition to the general liability policy referred to in item 6.	The amount of insurance shown under the policies listed in 6, 7 and 10, plus the amount shown here, is the total amount of liability insurance available for each occurrence.
9	Umbrella Form	A policy that protects against catastrophic losses. It is generally written over various other liability policies the insured purchases such as general liability, automobile liability, water or aircraft liability and employer's liability. It provides more insurance when the limits of the underlying policies have been exhausted by the payment of claims, additional insurance when the aggregate limit of any underlying policy has been exhausted, and protects against some claims not covered by underlying policies.	
9b-c		Any deductible or self-insured retention is listed here.	

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	Item	Explanation	Comment
9d	Each Occurrence	The most the insurance policy pays for all losses arising out of one accident or incident.	Add the dollar amount listed here to the dollar amount in 6I, 7F and 10C for the total amount of liability insurance available for each occurrence.
9e	Aggregate	The maximum amount of insurance payable during any annual policy period.	Amount may be less than shown due to claims already made during the policy period.
10	Worker's Compensation and Employers Liability	Coverage provided to an employer for injuries or illnesses suffered by employees arising out of their employment.	The extent of workers compensation insurance is specified by state law and is generally standard. However, employer's liability coverage is very important to public entities. If an injured employee of the contractor sues another party alleging that its negligence caused or contributed to the injury, that party may sue the public entity alleging that its negligence caused to or contributed to the accident. This coverage is especially important in construction contracts or contracts involving hazardous business operations.
10a	Any Proprietor/partner/ executive officer/member excluded?	States whether the insured's owners and officers are excluded under the company or organization's worker's compensation policy.	If the business has no employees other than the owner, the business may not have worker's compensation insurance because it has no employees.
10b-e	Statutory Limits E.L. Each Accident E.L. Disease – Each Employee E.L. Disease – Policy Limit	An "X" in front of the description means the policy will pay all covered expenses and disability that can be awarded under state law to an injured or ill employee. The most that the Employer's Liability portion of the coverage will pay for each accident, for disease in total or for each employee.	This is the best type of coverage because it provides the highest limits available regardless of the number of injuries or incidents of illness or the amount of claim made under the policy. This specifies the amount of insurance available under the employer's liability part of the insurance policy.
11	Other	This section indicates if the insured purchased other types of insurance policies such as professional liability, water or aircraft liability, etc.	This section should state that the public entity was added as additional insured with an Additional Insured Endorsement to the policy. Simply being named "additional insured" does not ensure the endorsement has been added to the policy. A copy of the Endorsement should accompany the Certificate.

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	Item	Explanation	Comment
12	Description of Operations/Locations/ Vehicles/ Exclusions added by endorsement/ special provisions	This section describes any special operations that may occur, a specific job location, or site on which activities will take place.	This section also indicates whether an entity has been added as additional insured to the liability policies. REMEMBER: <i>This should state that the additional insured ENDORSEMENT has been issued.</i>
13	Certificate Holder	The entity to whom the certificate has been sent or issued.	The Certificate Holder is not entitled to any rights under the policy and must be named additional insured through execution of the Additional Insured Policy Endorsement.
14	Cancellation	States the amount of written notice the certificate issuer will try to give the Certificate Holder if any policies are canceled prior to the expiration date. However, failure to do so will not result in liability if notice is not given.	This is an important clause, because if the insured fails to pay the policy premium or does something else that results in cancellation, the public entity can receive notice of this cancellation. To rectify the problem that the Certificate issuer is not required to provide notice of cancellation to the Certificate Holder, a request can be made to cross out the “Endeavor to” phrase as well as the last sentence beginning “But failure to mail...” PDRMA’s insurance requirements specify 30 days’ notice be given. Some Certificates indicate only a 10-day notice, because this is the maximum if the insured does not pay the policy premium.
15	Authorized Representative	The individual who has been given the authority to sign the Certificate. This may be the insurance agent or broker, or a representative of the insurance company.	Not all insurance agents or brokers are authorized to sign or issue a Certificate on behalf of the insurance companies providing the coverage.