

## READING A CERTIFICATE OF INSURANCE

There is a significant amount of information contained within a certificate of insurance. If you do not know what you are looking for, it can be a little overwhelming. The *Recommended Insurance Requirements* outlines what coverages and limits you should expect the other party to carry. The following information will help you to navigate and understand the certificate of insurance once received from the party you are working with, to confirm that it has what it should. On the following sample certificate of insurance, you will note many numbers and letters. These correlate to the information on the pages following the sample, and will work as a walkthrough for you to see where to find information in the certificate.

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

PRODUCER  (1)	FAX  (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.	
INSURED  (2)		(4)	
		INSURERS AFFORDING COVERAGE	NAIC #
		INSURER A:	
		INSURER B:	
		INSURER C:	
	INSURER D:		
	INSURER E:		

## 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 INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
(6)	a	<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <b>Owners and Cont Prot</b> GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <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 AGG \$ Fire Damage (any one fire)
(7)	a	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				f COMBINED SINGLE LIMIT (Ea accident) \$ g BODILY INJURY (Per person) \$ h BODILY INJURY (Per accident) \$ i PROPERTY DAMAGE (Per accident) \$
(8)	b	<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
(9)	c	<b>EXCESS/UMBRELLA LIABILITY a,b</b> <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE RETENTION \$				c EACH OCCURRENCE \$ d AGGREGATE \$ \$ \$ \$
(10)	a	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				b WC STATUTORY LIMITS OTH-ER c E.L. EACH ACCIDENT \$ c E.L. DISEASE - EA EMPLOYEE \$ c E.L. DISEASE - POLICY LIMIT \$
(11)		OTHER				

(12) DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

CERTIFICATE HOLDER  (13)	CANCELLATION  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.  AUTHORIZED REPRESENTATIVE (15)
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## **CERTIFICATE OF INSURANCE: WHAT YOU SHOULD KNOW**

1. **Producer:** The Producer is the insurance broker or agent representing the insured that attained the insurance coverage for the insured entity.

What you should know - This is the party that prepared the Certificate in most instances.

2. **Insured:** The Insured is the entity that has purchased the insurance coverages that are stated on the Certificate of Insurance and is considered the first named insured and policyholder.

What you should know - This entity should be the contractor or other party that has been requested to provide coverage.

3. **Certificate Statement:** This statement expresses that the intent of a Certificate of Insurance is merely to show the Certificate Holder that the insured has purchased the insurance coverages stated on the Certificate. However, it also indicates that the Certificate Holder has no legal right to be covered by the insurance in place. The statement also indicates that regardless of what the Certificate states, the only coverage terms and conditions that are applicable are those stated on the actual insurance policies. The Certificate cannot legally change or alter the actual insurance policy.

What you should know - This statement tells you that unless you are named as an additional insured on the actual policy, you will have no legal rights or access to the stated coverages.

**Companies/Insurers**      **Affording Coverage:** This section is used to identify the insurance companies issuing the policies stated below and put an alphabetical identification on each insurance company to assist in determining what insurance company is issuing what policies. (See INSR LTR in left column on certificate.)

What you should know - You may want to obtain the A.M. Best Rating for each insurer. It is recommended that each insurer have a Best Rating of A-, VII or higher to be deemed acceptable.

5. **Coverages:** This statement conveys that the insurance policies listed below were issued to the insured and that all insurance provided to the insured is subject to the normal policy terms, exclusions and conditions. It also states that the limits of coverage shown may actually be lower due to claims already paid out during the stated policy period.

What you should know - The only way to verify whether the limits shown have been reduced is to obtain a current loss report from the insured for the policy period in question.

**6. General Liability:** General Liability is provided for protection from liability arising out of the insured's premises or operations, products and completed operations.

**6a. Commercial General Liability** or CGL is the current proper name for General Liability coverage exposures arising out of a business operation.

What you should know - CGL will likely be listed on every certificate you are receiving. It is the most broad, and common policy form. It does not cover constructions mistakes made by your contractor.

**6b. Claims -made and Occurrence** are two types of general liability coverage forms. The difference in the two forms is in the event that triggers coverage. In an occurrence form policy, coverage is provided for occurrences taking place during the policy period, regardless of when an actual claim is made or reported. With a claims-made policy, the claim will be effective under the policy period when the claim is reported.

What you should know - You should require an Occurrence Form CGL policy from all contractors as claims- made policies limit the coverage afforded and is rarely used in today's marketplace for general liability coverage. One exception being Professional Liability Coverage (i.e., architects, engineers, etc.) which is usually only available in a claims- made format

**6c. Owners and Contractors Protective Liability** policies provide separate coverage limits that are contract or job specific. These policies are also issued to the property owner as the named insured.

What you should know - OCP policies provide separate limits of coverage in addition to any limits an additional insured may have access to from the named insured. However, OCP policies only provide coverage for vicarious liability of the owner (principal/agent relationship) and general supervision.

**6d. Policy Number** should be stated to assist in accessing the needed coverage if a claim should arise.

**6e. The Policy Effective and Expiration Dates** inform you when a policy begins and ends. It is important to be sure that performance on the contract be within the policy period.

What you should know - If a contract or job will go beyond the expiration date of the policy, your contract should require that an updated certificate be provided 30 days prior to expiration of the current policy. If an updated Certificate is not received, work may need to be discontinued until an updated Certificate is in hand.

**6f. Each Occurrence** is the most the insurance policy will pay under one occurrence regardless of the total amount of damages.

What you should know - There may be additional per occurrence limits available under an excess liability or umbrella policy.

**6g. Medical Expenses (any one person)** is a no fault medical expense coverage provided to third parties regardless of fault.

What you should know - Contractors should have this coverage, as it will provide limited coverage for injuries to third parties because of their operations, regardless of fault.

**6h. Personal and Advertising Injury** is "Coverage B" under a CGL policy and provides coverage for liability arising out of personal injury (i.e., slander, libel, wrongful eviction, false arrest, malicious prosecution, invasion of privacy) and advertising injury (i.e., slander, libel, invasion of privacy in the advertising of your goods/services, style of business, misappropriation of advertising ideas, infringement of copyright, title, slogan).

**6i. The General Aggregate** is the most an insurance policy will pay in a given policy period, regardless of the number of claims.

What you should know - We recommend that the general aggregate

be at least twice the occurrence limit unless there is a job site specific aggregate.

**6j. The Products-Completed Operations Aggregate** is the most that the policy will pay in a given policy period for liability arising out of the products-completed operations hazard.

What you should know - Completed Operations coverage would normally not be provided to the additional insured as coverage for the additional insured usually ceases once the job is completed. If you are intending to have continued liability coverage once the job is completed for a limited period of time (i.e., 6 months to 2 years) then the contract should request this extended coverage and subsequent Certificate of Insurance evidencing this coverage should be obtained.

**Automobile Liability:** Coverage is provided for protection from liability arising out of negligent operation, maintenance or use of a covered auto, which results in bodily injury or property damage to a third party.

**Any Auto** (symbol 1 on auto policy) is used to state that any auto is covered regardless of ownership.

**All Owned Autos** (symbol 2 on auto policy) is used to state that only the autos the insured owns and any trailers they don't own that are attached to the owned autos are covered.

**7c. Scheduled Autos** (symbol 7 on auto policy) is used to state that only autos actually listed in the Policy Declaration's section are covered in addition to any non-owned trailers while attached to covered autos.

**7d. Hired Autos** (symbol 8 on auto policy) is used to state that only those autos the insured has leased, hired, rented or borrowed are covered. However, coverage is not afforded for autos of employees, partners or their families.

**7e. Non-Owned Autos** (symbol 9 on auto policy) is used to state that only autos the insured does not own, lease, hire, rent or borrow are covered when used for insurer's business use. This also includes coverage for autos of the insurer's employees, partners and their families for business or personal use.

What you should know - The above coverage symbols that you will want your contractor to have will depend on what type of vehicles are being used. (i.e., company autos, employee's autos, leased autos, etc.).

**7f. Combined Single Limit** is the most the policy will pay for third party bodily injury and property damage combined for each accident.

What you should know - We recommend using combined single limit rather than separate bodily injury and property damage limits as the full amount of coverage can be used for either bodily injury or property damage.

**Bodily Injury (per person)** would be the most the policy would pay for bodily injury to one person from each accident.

What you should know - We recommend using combined single limit so this section would not apply.

**Bodily Injury (per accident)** would be the most the policy would pay for bodily injury from each accident, regardless of the number of persons injured.

What you should know - We recommend using combined single limit so this section would not apply.

**Property Damage** would be the most the policy would pay for third party property damage resulting from one accident.

What you should know - We recommend using combined single limit so this section would not apply.

**Garage Liability:** Coverage provided to auto service facilities for damage to customer's vehicles in their care, custody and control.

What you should know - Not utilized unless the above exposure exists.

**Excess Liability:** Liability coverage provided in addition to or on top of the primary general liability policy as stated in number 6.

What you should know - The primary general liability coverage limits in

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addition to the Each Occurrence Excess Liability limits will inform you of the total liability coverage available for each occurrence.

- 9a. Umbrella Form** is a type of policy form that provides excess liability coverage over a primary general liability policy, and can also provide excess limits over several other policies such as Auto Liability, Public Officials or Directors & Officers Liability and even Employers Liability.

What you should know - In order to determine the total liability limits for each line of coverage, it is necessary to verify what underlying policies the umbrella is providing excess coverage on.

- 9b. Other Than Umbrella Form** indicates the policy is not in an umbrella form, which provides coverage over several, underlying policies. The policy may be a manuscript form which is written by/for a specific insurance company. The policy may also be a standard excess liability policy with coverage terms that may differ from the underlying policies.

What you should know - If the excess policy is not in an umbrella form, it may not be providing the same coverage as the underlying policy form. Also, if the excess coverage is on a manuscript basis, a certified copy of the policy should be requested to determine the scope of coverage provided.

- 9c. Each Occurrence** indicates the maximum amount that the excess policy

will pay for liability arising out of one occurrence, regardless of the total amount of damages.

What you should know - The Each Occurrence limits of excess coverage is provided in addition to the Each Occurrence limits of primary general liability coverage.

**Aggregate** is the total amount the excess policy will pay in a given policy period regardless of the number of claims or occurrences.

What you should know - The aggregate shown on the Certificate of Insurance will be reduced by any claim payments or reserves for claims that have already occurred and been reported in the policy period. The Certificate will not reflect any reductions in aggregate amounts. The only way to determine if the actual aggregate has been reduced is by requesting and reviewing a current loss report of the insured.

- 10. Workers Compensation and Employers Liability:** Coverage is provided to cover liability arising out of employee injuries/diseases occurring in the course and scope of their employment.

What you should know - General contractors are treated as an employer for all subcontractor employees. It will be important to make sure that your general contractor has this coverage.

**10a. The Proprietor/Partners/Executive Officers Are:** This statement provides verification of whether or not the insured/contractor's owners and officers are covered under their workers compensation policy.

**10b. Statutory Limits** states that their workers compensation coverage will provide the maximum amount that can be awarded per Statutory Requirements.

What you should know - There cannot be any higher limit than statutory limits, which provide full coverage regardless of amount for employee injuries.

**10c. Each Accident/Disease-Policy Limit/Disease-Each Employee** is used to define the employers' liability coverage limits or Coverage B.

What you should know - Employers liability coverage protects an employer from tort liability claims arising out of a workers compensation injury or illness. The majority of claims in this coverage area arise when an employee is injured due to the alleged negligence of a third party. The employee's sole remedy against his employer is for workers compensation benefits. However, the employee can file a third party liability claim against a negligent subcontractor involved in the accident or injury.

**11. Other:** May be utilized to state professional liability and other specialty

coverages that may be needed due to the nature of the work being performed.

What you should know - If special assistance is needed please contact VSBIT.

**12. Description of Operations/Locations/Vehicles/Special Items:** This section can be used to describe special operations, identify a specific job site/location or contract number as well as indicate additional insured to the liability coverage.

What you should know - If the Certificate of Insurance states you are an additional insured on the liability policy, it is not a guarantee that you are named as additional insured on the actual insurance policy. It may be advisable to request a copy of the actual additional insured endorsement for projects/activities with significant liability exposure or that will be continuing for an extended period of time.

**Certificate Holder:** Entity to which the Certificate of Coverage is issued.

What you should know - The Certificate Holder is not entitled to any rights of the insurance policies stated on the Certificate. To have access to the liability policies of the contractors, the Certificate Holder must also be named as an additional insured on the actual insurance policy. We recommend that the policy be designated as primary and non-contributory.



**14. Cancellation:** This clause states the amount of written notice that the insurance companies will "endeavor" to provide to the Certificate Holder on cancellation of

What you should know - We usually recommend that 30 days written notice be requested. You should also note that the insurance company could cancel a policy with only 10 days written notice for non-payment of premiums by the insured.

the policies. This section goes on to say that the insurance company will not be liable if the notice is not given.

**15. Authorized Representative:** The insurance company or producer/broker who has been authorized to sign the Certificate.

What you should know - Not all producers/brokers are authorized to sign or issue a Certificate of Insurance. It is also important to verify that any additional insured status indicated on the Certificate has been agreed to and is being issued to the actual insurance policy by the insurance company