

LIABILITY LOSS CONTROL MANAGEMENT MANAGING CERTIFICATES OF INSURANCE

Simply requesting certificates of insurance from other parties and then filing them away when they are received is not enough. You, as a certificate holder, should carefully review the documents to protect your interests and ensure that you are shielded from the financial consequences of any losses or litigation arising out of the negligent acts of these other parties

In the insurance requirements clause of most contracts, there will be statements establishing the requirements for the other party to furnish proof of insurance (certificates of insurance), to provide specified limits of insurance, to maintain coverage in force for the duration of the contract, and to notify you of policy cancellation, non-renewal, or material changes in the policies. Remember: The insurance requirements clause is essential to ensure that the other party will have the financial resources to uphold the indemnification agreement in the contract.

There may also be requirements for additional insured status where appropriate.

It is an essential risk management function to properly review each certificate of insurance you receive, following the guidelines given below:

- Identify the insurance company that issued the certificate. (Do they meet any rating requirements specified in the contract?) It is important to recognize the difference between an insurance company versus a holding company. A certificate showing the holding company is not correct; it should show the name of the actual underwriting company.
- Verify the coverages and limits.

You must be certain that the listed policies have the proper coverages to respond to all risk-generating or loss-producing circumstances that could result from the nature of your contracted business relationship with the other party .

The important point regarding limits of insurance is that you want to have protection for the total amount of loss that you could sustain from the actions or negligence of the other parties.

- Verify the inception and expiration dates of the policies. Make sure all certificates are current, and that new certificates are received when policies are renewed.
- Be informed promptly whenever the policy is cancelled, non-renewed, or materially changed.

- If you are listed as an additional insured: Request an actual copy of the additional insured endorsement with the certificate of insurance. (A certificate will not always reveal that additional insured coverage is being provided on an excess, rather than a primary, basis.)

- If you are listed as an additional insured: Verify that the wording of the additional insured endorsement corresponds to the contractual requirements (e.g., if the contract specifies that additional insured coverage will be provided on a primary basis, make sure that the additional insured endorsement provides coverage on a primary basis).

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