

Certificates of insurance

What is a certificate of insurance?

A certificate of insurance is a document that summarizes the terms, conditions and duration of an insurance contract, but it is not the contract itself. It is a document that shows what type of insurance is in place at the time it is requested. It does not tell you what is in place a month from now or a year from now. This is why it is commonly referred to as a "point in time" or a "snapshot in time" document. It was originally created to serve as an outline of coverages in place and was used in lieu of producing the entire policy for review.

What can a certificate NOT do?

A certificate cannot alter, amend or change any coverages that are currently in place. No changes can be made to the policy by way of using the certificate to add or delete coverages. If any provision of a certificate of insurance purports to amend, extend, alter, otherwise alter the terms of an applicable insurance policy, insurers shall refer to N.J.S.A. 17:27A-6, copies of which are to be provided with the certificate, at least 10 days prior to becoming effective.

What rights or coverages does a certificate holder have?

None. If a certificate holder is not listed on the policy as an additional insured, the certificate gives no coverage to the certificate holder. The only way someone can be listed as an additional insured is by endorsement to the original policy. The certificate, according to the statute, is not part of the policy and does not endorse a certificate of insurance.

What can a new statute do about certificates?

The New Jersey Law and Court Commission (NJLCC) has issued a report which contains a disclaimer that the certificate was issued 'as a matter of information only and confers no rights upon the certificate holder' nor does it 'amend, alter or otherwise alter the coverage afforded by the policy.' and does not establish insurance coverage for the contractor receiving the certificate.

What is my insurance agent allowed to do for me?

Your insurance agent can give you a completed certificate of insurance that acknowledges effective dates, what coverages or policies, endorsements and limits are in place at the time of the request.

Conversion of coverage CANNOT:

- add language at the time of the certificate holder when it does not exist in the policy (for example, a primary or non-admitted clause, waiver of subrogation or hold-harmless agreement);
- provide coverage to someone who is not designated in the policy as an insured entitled to coverage; or
- provide notice of policy cancellation to someone who is not designated in the policy as entitled to such notice.

The following are cases where courts have refused to permit the coverages implied on a certificate of insurance:

United States Pipe & Foundry Co. v. United States Fidelity & Guaranty Co., 505 F.2d 88 (5th Cir. 1974);

Lezak & Levy Wholesale Meats Inc. v. Illinois Employees Insurance Co., 460 N.E.2d 475 (Ill. Ct. App. 1984);

Pekin Insurance Co. v. American Country Insurance Co., 572 N.E.2d 1112 (Ill. Ct. App. 1991);

Bradley Real Estate Trust, et al. v. Plummer & Rowe Insurance Agency Inc., 609 A2d 1233 (Sup. Ct. NH, 1992); and

Glynn v. United House of Prayer For All People, 741, N.Y.S.2d 499 (N.Y. App. Div., 2002).

(continued on reverse)



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BULLETIN NO. 98-05

TO: PROPERTY/LIABILITY INSURERS

FROM: ELIZABETH RANDALL, COMMISSIONER

RE: CERTIFICATES OF INSURANCE

Certificates of insurance are used in many commercial contexts as proof that a policy of insurance is in force, and usually summarizes the essential terms, conditions and duration of coverage. Certificate forms are not filed with the Department, even though the policy form they summarize is filed and approved by the Department pursuant to the Commercial Insurance Deregulation Act (N.J.S.A. 17:27). Use of certificates of insurance is particularly prevalent to provide evidence of liability and compensation coverages.

It has come to the attention of the Department that some commercial organizations may be requesting that contractors produce certificates of insurance that evidence terms or conditions of coverage that may be inconsistent with the underlying contract. Certificates of insurance should be used only to provide evidence of insurance in lieu of a policy. Certificates should not be used to amend, expand or alter its terms.

N.J.S.A. 17:22A-17a(7) prohibits a producer from misrepresenting the terms and conditions of insurance contracts or policies to any person. Providing a certificate of insurance that materially misrepresents policy terms or conditions would violate the statute. Under the statute, a producer who provides an improper certificate of insurance would be subject to penalties that may include suspension or revocation of the producer's license. Additionally, the producer providing an improper certificate of insurance would be liable for the insurer's liabilities may be created.

The Department urges producers to review their oversight procedures regarding certificates of insurance in order to avoid misrepresenting the terms and conditions of their policies and to remind their producers about the consequences of providing improper certificates.

98 /s/ Elizabeth Randall, Commissioner
