

Four Things to Know About Certificates of Insurance

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One day, you're asked to provide a Certificate of Insurance (COI) to someone with whom you're doing business. The next day, you request a COI from another business. Do you know exactly what you're giving and receiving in these seemingly routine transmissions? Do you get charged a fee for a COI? Here are four key points to keep in mind.

1. A COI is not an insurance policy

A COI is a form, usually completed by an insurance broker or insurance company, to document the existence of the insurance policy(ies) it describes. A COI often will include language indicating that it does not constitute a contract with the certificate holder, confers no rights on the certificate holder, and does not amend, alter or extend any of the listed insurance policies. In some circumstances, that sort of disclaimer language can be overcome. However, a COI is still not the same thing as an actual insurance policy. The COI does not contain all the terms and conditions of the policy, including any endorsements that may replace, supplement or modify the provisions of what some may refer to as a standard form policy.

2. Receiving a COI does not necessarily confer “additional insured” status

Again, the COI may have language to the effect that the policy must have an additional insured endorsement in order for the certificate holder to be an additional insured. And again, there are circumstances where the absence of an endorsement may not be fatal. On the other hand, even if there is an additional insured endorsement, it may not cover the certificate holder for a particular claim. There are more than 30 standard forms of additional insured endorsements published by the Insurance Services Office (ISO), and insurance companies often use their own non-ISO forms.

3. Consider reading a COI carefully

Whether you're the insured (whose policies are identified on the certificate) or the certificate holder, it's important to read the entire certificate carefully. Make sure the legal names and addresses are correct. Make sure the policy types (for example, Commercial General Liability, Business Auto,

Workers Compensation), policy limits, and policy periods are what you expected. If someone is supposed to be an additional insured under one or more of the policies, make sure that is stated, along with any other terms that may be required by a contract between the insured and the additional insured, such as a waiver of subrogation. Review the section of the COI that may indicate whether the certificate holder will be notified if the policy(ies) is canceled or terminated. If the COI has any errors or deviations from what you expected, it's better to address them right away.

4. A COI provides valuable information

File the COI in a place where you can find it quickly and easily. If something ever goes wrong, the information in the COI can be very valuable. For example, if you're an additional insured and you face a third-party liability claim, you may be able to give notice directly to the insurance company listed on the certificate; you don't necessarily have to go through the policyholder that made you an additional insured. Similarly, if the policyholder did something that caused you harm – for example, a contractor causes a fire on your premises – you don't have to accept the policyholder's assertion that it has no money to pay your claim; you can see that there is an insurance policy, you can see the limits of that policy, and you may be able to present your claim directly to the insurance carrier.

One extra point: I spoke at a trade association event recently and was asked how to control the cost of getting COIs for four or five related companies when each certificate would cost \$25. Frankly, I was astounded to hear that there was any charge at all for obtaining a COI. I checked with one of my clients' risk managers and heard similar surprise, but that client is a large company with a complex insurance program placed by one of the largest brokers in the world. Further research indicated that small businesses sometimes are charged for COIs, especially if they purchase insurance from an agent employed by an insurance company rather than an independent insurance broker. There can be valid reasons for an insurer, agent, or even a broker to charge for issuing a COI, but many policyholders likely can push back on any such fee.

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