



Current Articles 1998 – February

Certificates of Insurance -- Read Carefully!!!

Brokers are asked to provide Certificates of Insurance to landlords, public entities, leasing companies and many others. A Certificate of Insurance is a brief outline of limits and the type of coverage in force on the date of issuance of the certificate. The certificate should not guarantee that the coverages will apply beyond that date. In other words, if a policy is cancelled, the Certificate should not contain a contractual obligation to advise the certificate holder. The Certificate may contain a clause to state that the issuer will endeavour to notify if the policy is cancelled or changed but not to effect a contractual obligation to do so.

Many requests for Certificates are sent to the broker along with their own certificate form. These forms should be reviewed carefully. Some of these certificates, particularly from leasing companies, originate in the U.S.A. and where the law governing automobile insurance differs from Ontario. Some of the "Certificate requests" include a request to be added as an Additional Insured. This can be done on a property policy but there is no Statutory endorsement for automobile. Other requests which cannot be included on automobile are requirements to be added as Additional Named Insured (a no-no), amended cancellation time frames (10 to 30 days), requirement for Replacement Cost coverage for auto. Some requests involving short term leasing contractually make the lessee's insurance "primary" or require the broker to advise if the policy is lapsed, non-renewed or cancelled. Remember a Blanket Fleet Endorsement does not apply to vehicles leased under 30 days unless amended. Read them carefully.

A few years ago the Insurance Bureau of Canada warned its members that "certain certificates contain conditions which could amend the policy and are, in fact, an endorsement". The warning went on to "use extreme caution before completing such certificates".

If a broker accepts and signs a certificate supplied to him and the conditions of the certificate extend the policy provisions, the broker may have proceeded beyond his binding authority unless authorization is obtained from the insurer.

When dealing with Certificates of Insurance the Cardinal Rules should be:

- 1 - Read and understand what is being requested.
- 2 - Provide evidence of Insurance on standard forms.
- 3 - Refer any specified forms to the insurer for signature.
- 4 - File copies of certificates with the underwriter.
- 5 - Never verify an alteration or extension of the policy without authority from the Insured and Insurer.

Believe it or not, I saw a recent certificate that had many policy amendments and in closing stated "This form is legal and is approved by the Insurance General"!!! And where do you find the "Insurance General????

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