

# Verifying Contractor Insurance Coverage with Certificates of Insurance

## Introduction

Did you know that every time an association hires an outside contractor for services like pool maintenance, landscaping or snow removal it exposes itself to a potential lawsuit?

That's because associations can be held liable for wrongful acts committed by a contractor even though the association may have no direct fault for the act.

That's why it's vitally important for an association to have a current Certificate of Insurance (COI) on file for every contractor. A COI shows that a contractor has the right insurance coverage and limits in place.

Providing a COI is the best way to show that general liability and workers' compensation insurance requirements have been met. Associations should also verify that the association is the named certificate holder and not its property management company.



### Loss Scenario

While planting trees on an association's property, a landscaper damaged a resident's personal property. The landscaper didn't have enough insurance to pay for the damages. The resident (plaintiff) made a claim that the association had a duty to verify that the landscaper had sufficient insurance in place prior to commencing work and was therefore negligent in its contractor selection process.

A valid COI could have prevented this loss.

### Need More Information?

Consult with your legal counsel to review business contracts, assess exposures and to seek advice as to the type and level of insurance protection required.

CAU has developed a COI Tracking Program to assist associations with tracking and monitoring the status of COIs. Associations may request a copy of this tool by contacting CAU's Loss Control Department.



## What is a COI?

A COI shows that a contractor's insurance coverage actually does exist. Information in the COI will include:

- the policy number
- the named insured
- the coverage provided
- the policy limits
- the coverage term and
- the name of the issuing insurance carrier

Policy limits should apply per location so that losses elsewhere do not deplete the insurance available to you.

Generally speaking, COI's are provided in one of three forms:

1. Standard ACORD (Association for Cooperative Operations Research Development) forms
2. Modified ACORD forms
3. Manuscript forms

Both types of ACORD forms contain basic policy and coverage information. The modified version has more specific information, including the extent of notification to which the COI holder is entitled if the insurance is cancelled.

Manuscript forms are not discussed in this bulletin. An association should not normally receive this type of form from their service providers. However if you do, it should be reviewed by the association's legal counsel prior to acceptance.

## What are the benefits of a COI?

The primary benefit of a COI is convenience, as they can be quickly and easily obtained. COIs do not require additional resources for review or significant space for storage, which is needed if the actual insurance policy was obtained.

Certificates demonstrate that coverage existed at a particular time. They also provide the basic information needed to file a claim, while not divulging confidential business information such as payroll and sales figures.

## What are the limitations of a COI?

While many associations rely on COIs, they do come with the following limitations:

- A COI is not the legal equivalent of an insurance policy. It does not create a contractual relationship

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between the insurance carrier and the certificate holder. When a conflict occurs, courts have typically enforced the policy or contract language over the COI.



- The COI only confirms that the provider carried the insurance specified at the time the certificate was prepared. There is no guarantee that insurance has not or will not be cancelled; that coverage limits will not be exhausted by other claims; or that other endorsements have not been added to the policy, reducing the amount of coverage available.

## What does CAU recommend?

- Use only reputable contractors.
- Require a COI with a minimum limit of \$1 million from each contractor, including your property manager.
- Request that a COI be issued with a general aggregate "Per Location" to avoid depletion of limits.
- Verify that the association is the named certificate holder and not the property manager.
- Create a procedure to monitor and track COIs.