



# Certificates of Insurance Not Enough to Protect Your Business

Prepared especially for:



If your business uses sub-contractors or independent contractors, simply requesting they provide certificates of insurance does not afford your business sufficient protection. A certificate of insurance only states the contractor had insurance at the time the certificate was issued. It does not validate that there is and will be insurance in-force during the time their work is completed.

In addition, certificates of insurance are widely abused and fraud is not uncommon. If a lawsuit is filed, all parties involved will be named, and your insurance company will at a minimum incur defense costs, regardless of your negligence.

If you want to ensure protection, you must specifically be named as an Additional Insured (AI) in the contractor's insurance policy. AI endorsements provide an additional insured with coverage for its liability for "bodily injury" or "property damage" arising out of the named insured contractor's work performed on its behalf.

Among the key benefits of being named an Additional Insured:

- AI status allows you to tender your defense to the contractor's insurance company.
- Transferring your risk allows you to keep premiums down because reserves are not necessarily incurred on your own experience rating.
- Insurer must defend the entire complaint if any portion of it is potentially covered.
- AI endorsements are not the same between insurance companies and each have specific caveats, so each must be carefully evaluated to ensure it gives you the protection you

need. It is always a good idea to review these forms with a legal representative.

The best way to ensure your sub-contractors and independent contractors name you as an AI in their policy is to contact your insurance broker and develop an appropriate strategy. Working with a broker that specializes in your industry can be a real advantage because of their expertise in dealing with the specific issues you will face. Remember, a certificate of insurance is a nice piece of paper, but it is not enough to protect your business. ▲

**For more information on this article, please e-mail [iha-insurance@assuranceagency.com](mailto:iha-insurance@assuranceagency.com) or phone 847.463.7300 to speak with an IHA member services representative.**

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