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The Big Problem With Certificates



Summary:

Certificates of insurance are expensive, ticking time bombs creating confusion and cost at best, soiled reputation and financial ruin at worst.

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See also: [Certificate of Insurance Management -- Essential Protection Against Unexpected Liability](#)

At least three independent studies indicate that 40% to 50% of all certificates that indicate additional insured status are [incorrect](#). Would you knowingly allow an insurance document with your name, and that of your organization, on it to go out with errors? At best, what happens with certificates deserves a D- grade and a stinging, costly indictment of the industry as a whole. Today, the bulk of the certificate burden falls on the agent/broker. But with carriers desiring to directly enter the small commercial insurance marketplace, the effort, cost and potential liability of certificates will now transfer directly to carriers. Certificates are not harmless or benign; they are expensive, ticking time bombs creating confusion and cost at best, soiled reputation and financial ruin at worst. Certificates also open up a Pandora's Box to add wording in conflict to the policy, implying that coverage is in place when it actually is not. Let me give you a real life example: An insured received a certificate for a rodeo. After the event ended, some bulls got loose, sending several people to the hospital. An average professional bull is about the size of a small car, weighing in at between 1,600 and 1,700 pounds. Not until the injured patrons sued was it discovered that the special events policy excluded coverage for bodily injury or property damage caused by animals. It sure sounds like someone dropped the ball: a [policy](#) to cover a rodeo that excluded losses caused by animals?

See also: [How to Apply 'Lean' to Insurance](#) Issuing certificates is looked down on as a clerical, workflow or technology issue by many. Get a request, merge the data, email it out, done. But issuing a certificate is more than just clicking on a web site button to mindlessly generate a PDF. It's more than a limit amount; it's understanding and explaining what is covered and excluded. Insurance is oh so much more than technology or workflow. It's a promise to understand needs, matching coverage and protection. It's a promise to help and restore in time of trouble or loss. A next-generation solution to replace certificates is needed to continually verify coverage and compliance. The solution must also understand policy language, alerting all stakeholders to what is and is not covered. It's time to take off the hypocrite mask of certificates. Marketplace conditions and technology are now available to replace the hypocrite certificate with information directly from the policy!



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