



Understanding the revised ACORD 25 Certificate of Liability Insurance

ACORD (Association for Cooperative Operations Research and Development) is an organization that serves the insurance industry to facilitate the development of standardized policy terms and forms. This standardization makes it easier for consumers to understand and compare the coverage they are purchasing. Murphy Insurance Agency and the majority of insurance companies and agents utilize standard forms provided by ACORD. (www.acord.org)

In September 2009, ACORD revised the ACORD 25 Certificate of Liability Insurance form. One of the major changes was the removal of the cancellation notice provision. For the following reasons, agents are unable to issue an older edition of this form, modify the current form, or complete a proprietary form you provide:

- Under the ACORD Corporation's licensing agreement, the prior editions of superseded forms can be used for one year from the time the new forms are introduced. After September 2010, agents can no longer use an older edition of the ACORD 25. Doing so would violate ACORD's licensing agreement and, as a copyrighted document, federal copyright law.
- Likewise, agents are unable to modify the new certificate to add a notice of cancellation. ACORD forms are designed to be completed, not altered. ACORD's Forms Instruction Guide states that a certificate should not be used "To waive rights...To quote wording from a contract...To quote any wording which amends a policy unless the policy itself has been amended." In addition, insurance company contracts generally only allow agents to issue unaltered ACORD forms.
- Notice of cancellation is a policy right, not an unregulated service. No insurer shown on a certificate is able to provide the cancellation notice you desire by endorsement. For example, the *insured* can cancel immediately, so it would be impossible for the insurer to give you the notice you request. State law also grants the insurer the right to cancel for reasons such as nonpayment with less notice than you require.
- For the reason just cited, if an agency were to issue a certificate that provides the cancellation notice you request, it would do so with the full knowledge that it would be impossible to provide that amount of notice under certain circumstances. As such, the certificate could be alleged to constitute a misrepresentation or fraud, which could subject the agency and its staff to serious civil and criminal penalties.
- If a certificate purports to provide a policy right different from that provided by the policy itself, then the certificate effectively purports to be a policy form. Policy forms must be filed and approved by our state department of insurance. Use of non-filed policy forms is illegal and could result in legal sanctions distinct from the assertion that the certificate is fraudulent.
- Agents are often asked to issue proprietary certificates provided by the certificate requestor. Again, insurance company contracts usually only allow agents to issue unaltered ACORD forms. Many proprietary certificates include broad, vague or ambiguous language that may or may not be in compliance with state laws, regulations, and insurance department directives. Therefore, an agency cannot issue any proprietary certificates that have not been reviewed by our state insurance department.

We appreciate your understanding of the legal restrictions on Murphy Insurance Agency's ability to fully comply with your certificate request.

P.S. The challenges related to "notice of cancellation" aren't new. You may be interested in how the City of Atlanta, Georgia is now reportedly dealing with this issue based on a very detailed study they conducted in 2008. <http://tinyurl.com/26guax8>