

## FOR IMMEDIATE RELEASE

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### NCOIL MODEL SPARKS CERTIFICATE OF INSURANCE CONTROVERSY, SANTA FE DEBATE IS JUST THE BEGINNING

**Santa Fe, New Mexico, November 20, 2011**—In a room packed with stakeholders from around the country, the NCOIL Property-Casualty Insurance Committee on November 20 debated the pros and cons of a model law limiting the use of certificates that verify insurance to third parties. The event, which took place at the NCOIL Annual Meeting here, represented the next stage in an NCOIL dialogue that has major implications for the property-casualty insurance and commercial lending industries. Included in the discussion was talk of an arguably creative way to address lender “information only” disclosure concerns: a companion bill based on NYS insurance binder law.

According to Committee Chair Rep. Chuck Kleckley (LA), “The meeting today was a critical next step in our review of a model that could mean big changes for how agents, insurers, and lenders do business. The companion bill option, first discussed on an October conference call, recognizes that lenders have a valid need for timely proof of insurance, while also appreciates that agents and insurers are justified in their calls for stemming certificate fraud and abuse.”

Rep. George Keiser (ND), sponsor of the proposed model act, said after the meeting, “Consideration of the certificate model is a priority item for NCOIL. We’re not here to casually discuss who prepares certificates and why; we’re here to wade through the numerous challenges and implications of fixing a system that may be in great need of reform. Our recent debates are just the beginning of our journey.”

The draft *Certificates of Insurance Model Act* requires insurance department approval of all certificate forms, mandates “information only” disclosure, and prohibits altering a certificate or using false or misleading data. The model bans reference to third-party contract requirements and stresses that a certificate confers no rights beyond what’s in the policy.

Amendments submitted, but not yet debated, would carve out commercial lenders, indemnify producers from civil liability and, among other things, require a lender to accept a binder as evidence of coverage.

Certain legislators and interested parties offered the NYS binder approach as a way to quell lender concerns over binder expiration dates and notice of policy renewal—which is why, lenders say, that they need certificates to be official evidence of insurance. In New York, binders do not expire, and policies renew automatically unless an insurer gives notice of cancellation or policy changes.

The November 20 meeting featured an overview of ACORD, which produces certificate forms used as an industry standard, and a report from lenders on the time it takes—often many months—for a lender to receive an insurance policy. Representatives of various property-casualty agents and insurers, as well as of life insurers and lenders, participated. Commercial real estate lenders, title insurers, and others also have been party to NCOIL efforts.

The 2011 Annual Meeting took place from November 17 through 20 at the Eldorado Hotel & Spa.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at [www.ncoil.org](http://www.ncoil.org).

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