What is an ACORD Certificate?

A small business CEO and reader of this column emailed me and said “Dean, I was asked for an ACORD Certificate for my business. I have no idea what that is, now what do I do?” That is a good question and the answer to which a small business CEO may want to know.

When you submit a proposal for a contract or a service, you may be asked to provide an ACORD certificate of insurance. An ACORD certificate is proof that you have the amount and kind of liability insurance the client requires for the project. An ACORD certificate may also be requested by a bank or mortgage company for a property they hold the mortgage on, or by an equipment leasing company when they lease equipment for a project.

Do you have an ACORD certificate for your small business? An ACORD certificate is so called because it is governed by the Association for Cooperative Operations Research and Development, a non-profit organization that provides the standardized forms and certificates for almost 90% of US property and casualty insurance carriers.

The certificate is a summary of the policy including policy limits, types of coverage, and effective and expiration dates. It provides all the information a client would need to determine whether or not you have the insurance they require. It’s presented in a standard format, so a client can compare the certificates from several potential vendors, creating a level playing field.

ACORD certificates are available for general liability insurance, property insurance, automobile insurance, aviation and aircraft insurance and more. A requestor may ask for one or more certificates, depending on the types of insurance required.

Since an ACORD certificate is a standard document used by most carriers, an organization can quickly determine if a prospective contractor has the insurance coverage required for a particular project. A company or government agency can compare the insurance coverage that each bidder carries against the project’s specifications.

I suggest that when you get liability insurance for your business, ask your agent for an ACORD certificate to keep on hand. You’ll want to be able to provide it to any prospective client who asks for it. Not only will it show that you have the insurance that your client requires, it will show that you are proactive and prepared for any scenario that may arise. Having an ACORD certificate ready to show upon request could differentiate you from other companies who are bidding on the same job.
It’s also important to have the latest version of your ACORD certificate. Since the certificate form is updated periodically, ask your agent each year when your policy renews if there is a new certificate. If there have been changes in the last year, request a new certificate.

As a small business owner, you also can require an ACORD certificate of prospective contractors, subcontractors or vendors to determine if the people you are considering doing business with are properly insured.

When you are starting a small business, every dollar counts. One best practice that all small business owners should consider is liability insurance. Most of the information out there about liability insurance comes directly from insurance providers, so it is important to do some research to ensure that you are relying on objective information to make business decisions.

There are a variety of options when it comes to liability insurance. It is vital that you choose the right insurance. The coverage that is required for your business may vary if you have employees. Outside of coverage for employees, injury and property damage liability insurance protects you from a variety of legal claims including bodily and personal injury as well as property damage that can occur during day-to-day business operations. There are many types of liability insurance that you may want to consider for your business.

After you research your options, you’ll want to speak to an experienced, licensed insurance agent to go over the fine details of your business insurance needs on an annual basis. Why annually? Things change. You may have a larger, more diverse workforce, more equipment, or maybe you moved into your very own office. All these changes need to be accounted for in your coverage plan. The type of business that you own will largely dictate which type of insurance (and how much) you will need. And remember – no one knows your business as well as you do, so take the time to consider any and all perceived risks and be sure to flag them in the discussion with your insurance agent.

Dean L. Swanson  
Southeast Minnesota SCORE  
c/o Rochester Area Chamber of Commerce  
220 South Broadway, Suite 100  
Rochester, MN 55904  
www.seminnesota.score.org/  
*Dean is a volunteer Certified SCORE Mentor and former Regional Vice President for the North West Region